

2017/18



TSWAING
LOCAL
MUNICIPALITY

ANNUAL
REPORT

Contents

CONTENTS

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY	6
COMPONENT A: MAYOR’S FOREWORD	6
COMPONENT B: EXECUTIVE SUMMARY	7
1.1. MUNICIPAL MANAGER’S OVERVIEW	7
1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW	9
1.3. SERVICE DELIVERY OVERVIEW	16
1.5. STATUTORY ANNUAL REPORT PROCESS.....	17
CHAPTER 2 – GOVERNANCE	18
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE.....	18
2.1 POLITICAL GOVERNANCE.....	21
2.2 ADMINISTRATIVE GOVERNANCE	24
COMPONENT B: INTERGOVERNMENTAL RELATIONS.....	25
2.3 INTERGOVERNMENTAL RELATIONS.....	25
COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION	26
2.4 PUBLIC MEETINGS	26
2.5 IDP PARTICIPATION AND ALIGNMENT.....	30
COMPONENT D: CORPORATE GOVERNANCE	30
2.6 RISK MANAGEMENT	31
2.7 ANTI-CORRUPTION AND FRAUD.....	31
2.8 SUPPLY CHAIN MANAGEMENT	31
2.9 BY-LAWS	32
2.10 WEBSITES.....	33
2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES.....	34
CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)	35
COMPONENT A: BASIC SERVICES.....	36
3.1. WATER PROVISION	37
3.2 WASTE WATER (SANITATION) PROVISION	42
3.3 ELECTRICITY	48

Contents

3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)	52
3.5 HOUSING	55
3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT	58
COMPONENT B: ROAD TRANSPORT	62
3.7 ROADS.....	62
3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION).....	65
3.9 WASTE WATER (STORMWATER DRAINAGE)	66
COMPONENT C: PLANNING AND DEVELOPMENT	67
3.10 PLANNING.....	68
3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)	69
COMPONENT D: COMMUNITY & SOCIAL SERVICES	73
3.12 LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC).....	73
3.13 CEMETORIES AND CREMATORIALS.....	76
COMPONENT G: SECURITY AND SAFETY	78
COMPONENT H: SPORT AND RECREATION	79
COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES.....	80
3.22 EXECUTIVE AND COUNCIL	80
3.23 FINANCIAL SERVICES.....	83
3.24 HUMAN RESOURCE SERVICES	85
COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD	89
CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE	107
(PERFORMANCE REPORT PART II)	107
COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL.....	107
4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES.....	107
COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE	110
4.2 POLICIES.....	111
4.3 INJURIES, SICKNESS AND SUSPENSIONS	112
4.4 PERFORMANCE REWARDS.....	114

Contents

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE	114
4.5 SKILLS DEVELOPMENT AND TRAINING	115
COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE	117
4.6 EMPLOYEE EXPENDITURE	118
CHAPTER 5 – FINANCIAL PERFORMANCE	119
COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE	120
5.1 STATEMENTS OF FINANCIAL PERFORMANCE	121
5.2 GRANTS	124
5.3 ASSET MANAGEMENT	125
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS	126
COMPONENT B: SPENDING AGAINST CAPITAL BUDGET	131
5.5 CAPITAL EXPENDITURE	132
5.6 SOURCES OF FINANCE	136
5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS	138
COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS	140
5.9 CASH FLOW	141
5.10 BORROWING AND INVESTMENTS	142
5.11 PUBLIC PRIVATE PARTNERSHIPS	144
COMPONENT D: OTHER FINANCIAL MATTERS	144
5.12 SUPPLY CHAIN MANAGEMENT	144
5.13 GRAP COMPLIANCE	145
CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS	146
COMPONENT B: AUDITOR-GENERAL OPINION YEAR 0 (CURRENT YEAR)	147
6.2 AUDITOR GENERAL REPORT YEAR 0	147

Contents

GLOSSARY	174
APPENDICES.....	177
APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE	177
APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES	179
APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE.....	180
APPENDIX E – WARD REPORTING.....	181
APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE	182
APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE	182
APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG	183
VOLUME II: ANNUAL FINANCIAL STATEMENTS	184

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

We have once again on behalf of the Tswaing Local Municipality Council delighted and honoured to present to the Annual Report for 2017/2018. I believe that you will find this report navigating into the work executed and more importantly engaging on achievements and challenges faced by our institution.

I would urge all of us to reflect deeper on developmental statistics this report carries, that to what extent did we changed the lives of our people through the services brought to them. Our success might not only be measured on the basis of our financial performance but rather on the long-term changes made through access to services that enhances their living conditions of our communities.

The past financial year have seen some of protests by employees which was as a result of source of dissatisfaction to our institution. The challenges have further created a signal for us to continuously learn and mature in understanding the task at hand. Additional challenges include, but not limited to, among others: slow responses by leadership in implementing and monitoring adequate post audit action plan; lack of consequence in poor performance and transgression of supply chain management prescripts and vacancies in key positions within the municipality.

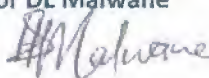
We have a number of particularly notable achievements, current projects that are progressing very satisfactorily. The political situation, however, continues to hamper lots of long-standing unresolved issues projects and continue to disrupt progress of the municipality. This being a sign of very challenging future, we note that lot still need to be done to improve the challenges the municipality face.

It is for Tswaing people that we exist as a Municipality. Let us use this report as an analytical tool to apply on how far we are to strengthen our existence.

This report comes at a time when our country unites in celebration of the 100th anniversary of Nelson Rolihlahla Mandela. At a time where we measure our growth and development drawn from the inspiration of commitment expressed by this most remarkable leader.

May we together, further continue to build and contribute to the creation of a better society. None of these would be possible without dedicated, hardworking and supportive staff with their generous efforts in driving the service delivery to our people. The support of council in carrying out oversight in whatever we do will be appreciated.

Councillor DL Malwane
Mayor



COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

In terms of section 121 of the Municipal Finance Management Act (MFMA) read together with section 46 of municipal system act 32 of 2000, regulates the manner in which the accounting officer should prepared both the annual report and performance report. In compliance with the above-mentioned sections of legislation, it is indeed an honor and privilege for management to join her worship the Mayor, our political head, the honorable Speaker and the entire Council to present this annual report to all our stakeholders.

During the 2017/2018 financial year, the Tswaing Local Municipality continued to conduct it's planning and business operations in line with the five national KPA's including the sixth provincial KPA, which are as follows:

- Basic service delivery and infrastructure;
- Local economic development;
- Financial viability and management;
- Institutional development and transformation; and
- Good governance and development and transformation.

Spatial planning and environmental management

The municipality performed its duties as required in terms of section 155 and 156 of the Constitution of the Republic of South Africa. The municipality is a capacity B municipality with ward participatory system.

Management would like to take this opportunity to thank the Council, EXCO, MPAC as well as staff members for their continued dedication and alertness to the work beforehand and all other external partners such as, Provincial Treasury, CoGTA, Department of Local Government & Human Settlements, the Auditor General of South Africa and all other sector departments who worked with us in 2017/2018 financial year

Tswaing Local Municipality in the previous financial year 2016/2017 received a qualified audit opinion. In 2017/18 the municipality retains the qualified audit opinion under difficult challenges the municipality continue to experience. It is with hope that the following financial year's assessment will yield excellent results of which of course hard work and dedication will be required.

We have started to with the implementation of post Audit Action plan already. This shall enable us to face the year eagerly, to transform the systems that will assist us to bring about change. I can say with certainty that there is general improvement in the financial environment of the municipality as evidenced by the comparative disclosure in grants management.

There is still some work to be performed in regard to electricity and water, particularly the distribution losses which are currently fairly high. Addressing the overall revenue is an ongoing process.

mSCOA

Municipal Standard Charts of Accounts (mSCOA) commenced its implementation in municipalities on the 1 July 2017. mSCOA began with its challenges with the budget structure presentation and implementation, votes structure and payments which required aligned of Integrated Development Plan (IDP) with budget and procurement plans. Other challenges included quality of submitted performance information; financial health of the municipality; human resource; information technology and lack of proper implementation of supply chain management processes.

Risk Management and risk strategy

Management needs to ensure that a proper risk management unit is in place to identify risks, assess these risks and implement a proper risk strategy. Management needs also to ensure there is internal audit and internal audit plan to assist the municipal manager in carrying out activities such as: implementation of internal controls; accounting procedures and practices and on performance management. It is also important that the municipality requires the services of the audit committee to assist with the adequacy, reliability and accuracy of financial reporting and information; performance evaluation; effective governance and accounting policies.

In conclusion, management hereby presents the 2017/2018 Draft Annual Report as a reflection of all the activities that were carried out by Tswaing Local Municipality during the year under review.


Ml Moruti
Municipal Manager

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND

Tswaing Local Municipality is one of the five local municipalities in the area of jurisdiction of Ngaka Modiri Molema District Municipality. The municipality's head office is in Delareyville. The population of the municipality was estimated at 130 478 in 2010 with 30 582 households.

Tswaing Local Municipality provides all the basic services in its area of jurisdiction except for water and sanitation, which are provided by the Ngaka Modiri Molema District Municipality. The data from Global Insight Regional Explorer, 593 indicate that there has been tremendous improvement in the allocation of services to communities in Tswaing Local Municipality, especially housing, water, electricity and sanitation. A brief synopsis of basic service delivery improvements is contained in the table below:

Service	Level of Service	Status in 2000	2010 status
Water	Piped water inside dwelling	3452 households	6 167 households
Sanitation	Flush toilets	6 939 households	10 894 households
Housing	Formal Houses	17 961	23 676

Table 1: Basic Service Improvements-2000-2010. (Source: Global Insight Regional Explorer, 2011)

With regard to electricity the figures show that while 39% of households had access to electricity in 2000, the percentage rose to 77% in 2010.

Despite these positive results, the municipality still faces a challenge regarding backlogs in the provision of basic services of water, electricity, sanitation, roads and street lighting. The main reason for the increase in service delivery is that the municipality has experienced an increase in the population during the last ten years, partly due to evictions in the surrounding farms and partly because of the natural growth of the population.

The adopted vision and mission of council are:

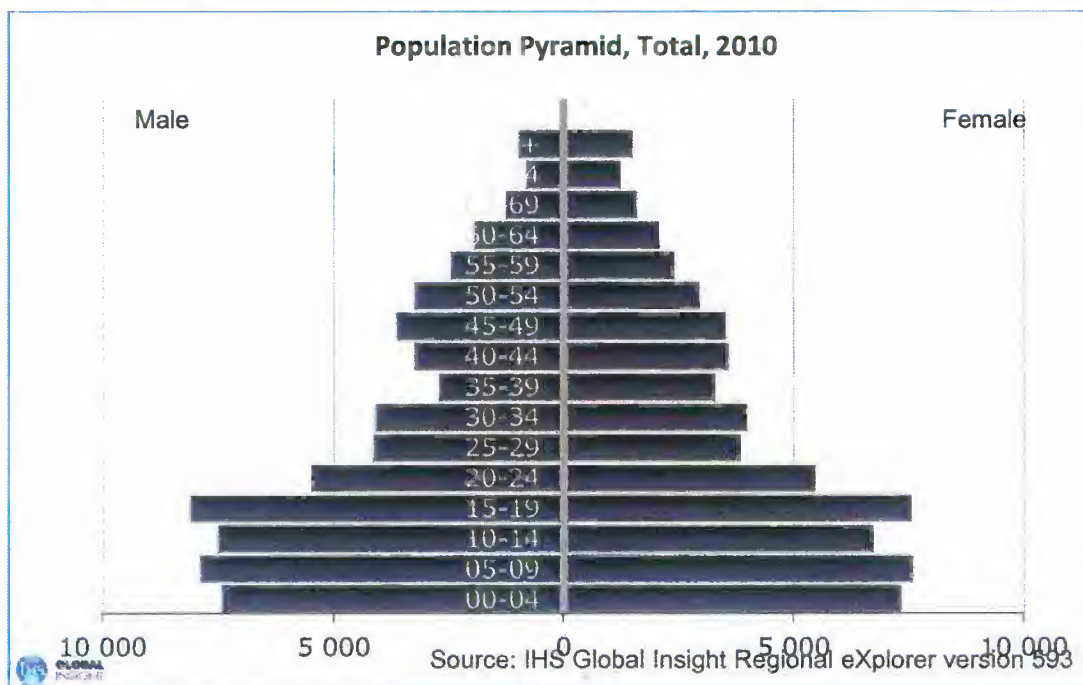
VISION

"To be a leading municipality in the North-West Province in sustainable service delivery by 2020"

MISSION

**To deliver sustainable municipal services by maximally utilizing our human,
Financial and technical resources through participatory democracy**

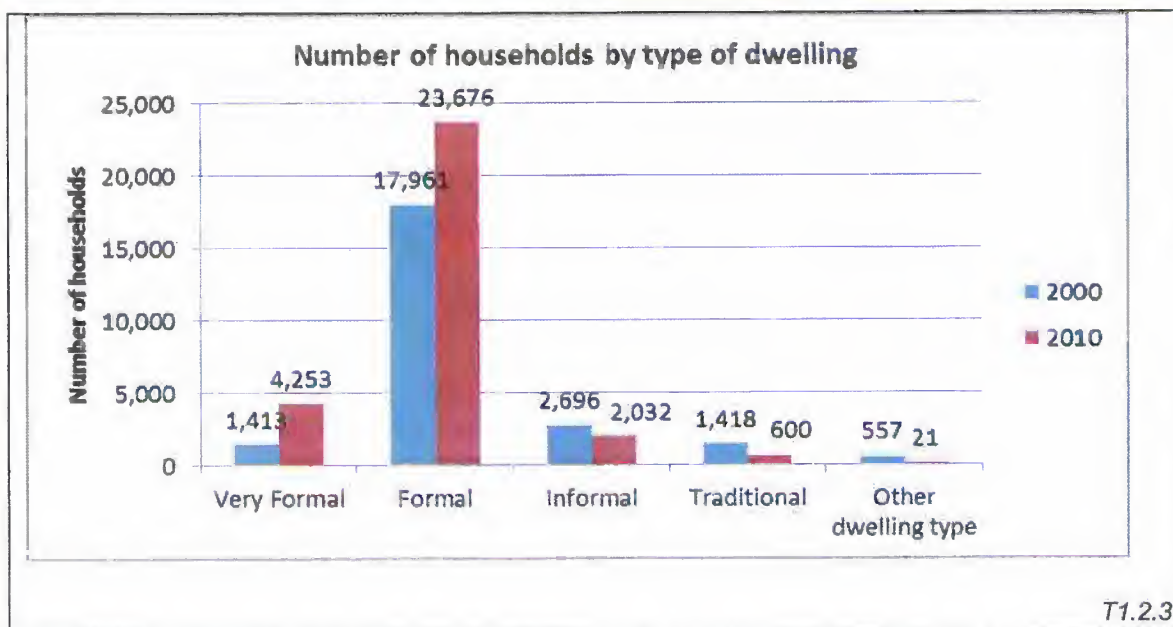
In developing this document, the municipality undertook consultative meetings at all the 15 wards of the municipality to solicit the views of the community on matters that should be prioritized during the term of this council. Subsequent to listening to communities and analyzing their submissions, the following were selected as the priorities of the municipality: *Job creation, water, sanitation, housing, electricity, roads and street lighting.*



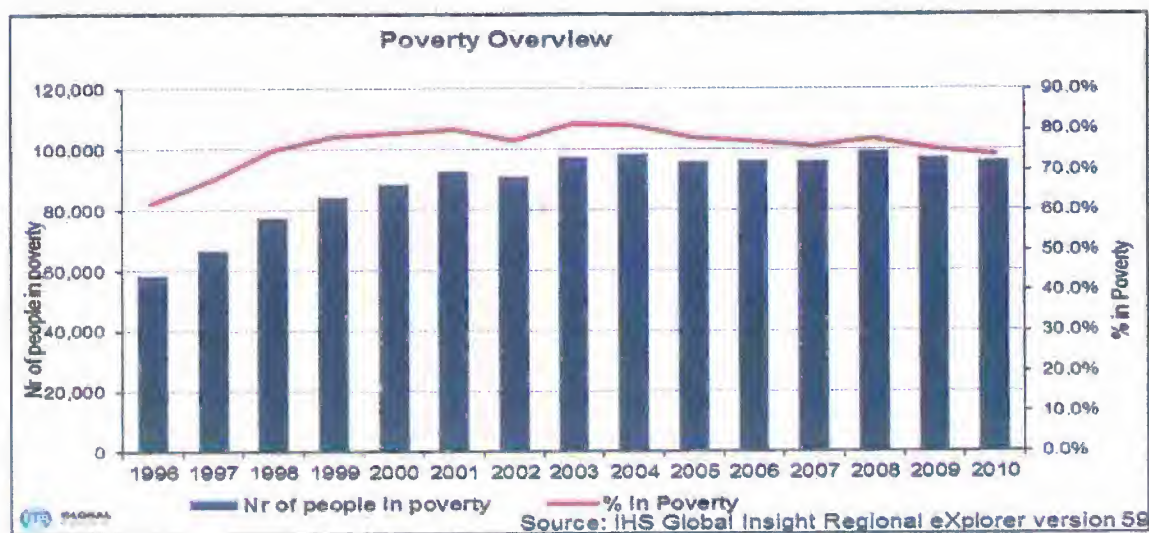
The pyramid above indicates that population number of those aged between 00-29 years were almost the same with males being slightly more, for those aged 30-34, the number of females were slightly more compared to those aged 25-29 whilst the number of males was almost the same as those aged 25-44 years males were slightly less than females.

Those aged 45 – 49, the number of males grew slightly compared to those aged 40 – 44 whilst females were almost the same number as those aged 40 – 44. The number of both males and females was almost 2500 for those aged 50 – 59 the number of males and females were the same but slightly less compared to those aged 50 – 54.

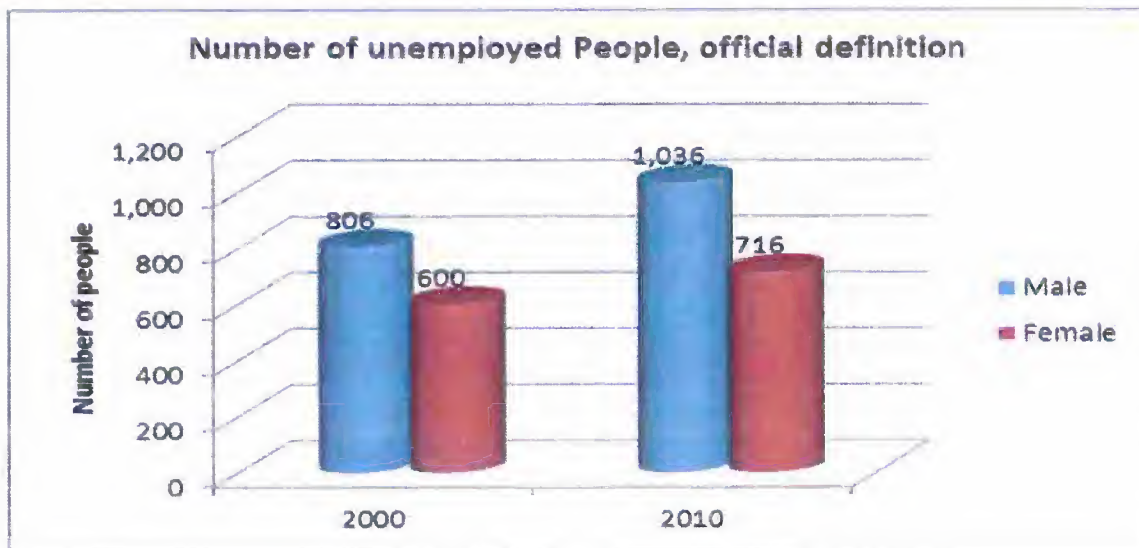
For those aged 60 -64 and 65 - 69, the number of both males and females were slightly less than those aged 55 – 59 and 60 – 64 respectively with females being more than males. Compared to those aged 65 – 69, in the population aged 70 – 74, females were more than male and for those aged 75 and above, females were more than males.



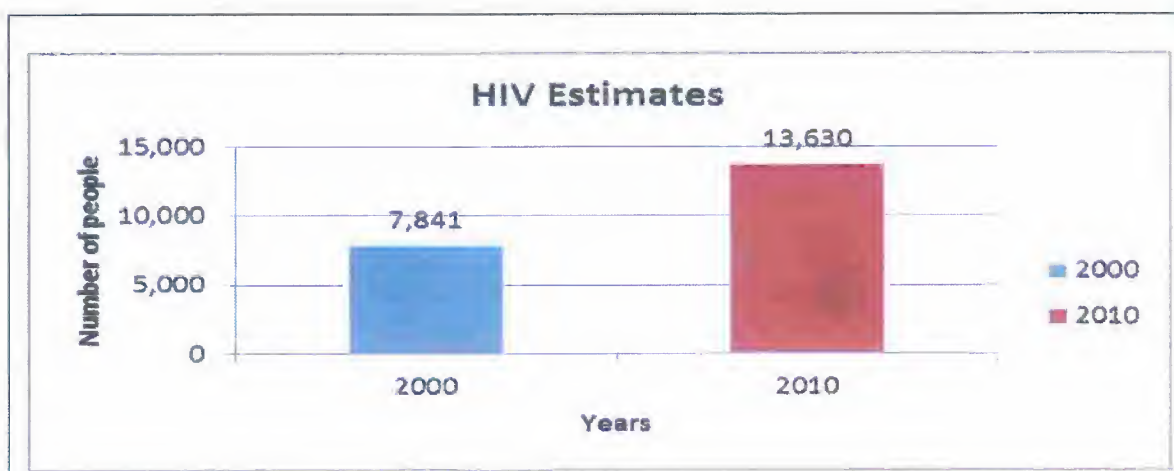
According to the graph above there was an increase in the number of formal and very formal Dwellings by 8555 and general decrease in the number of informal, traditional and other dwellings between the year 2000 and 2010. The graph indicates that informal settlements were significantly reduced or eliminated in the municipal area.



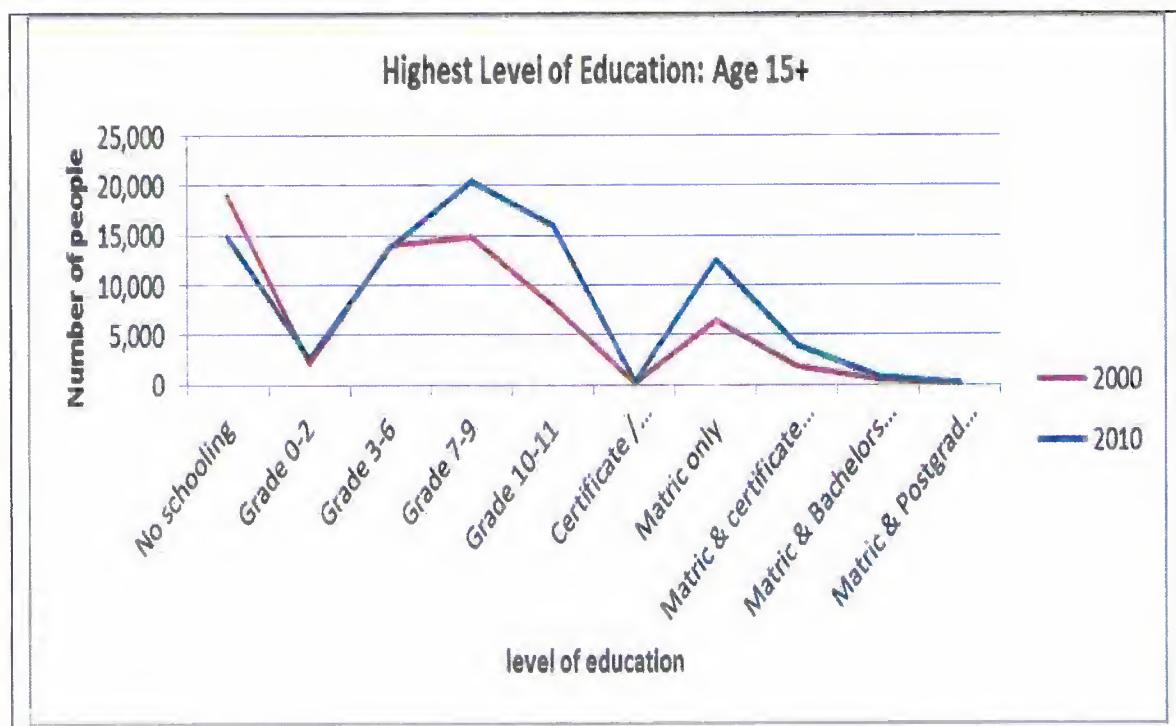
Between 1996 and 2010 the number of people living in poverty has steadily increased with about 35%. The number of people living in poverty grew from just under 60 000 in 1996 to slightly above 90 000 in 2010.



The information in the graph above indicates that, Tswaing Municipality experienced increase of 346 between 2000 and 2010 in the number of unemployed people with unemployed males being 320 more than unemployed females in 2010.



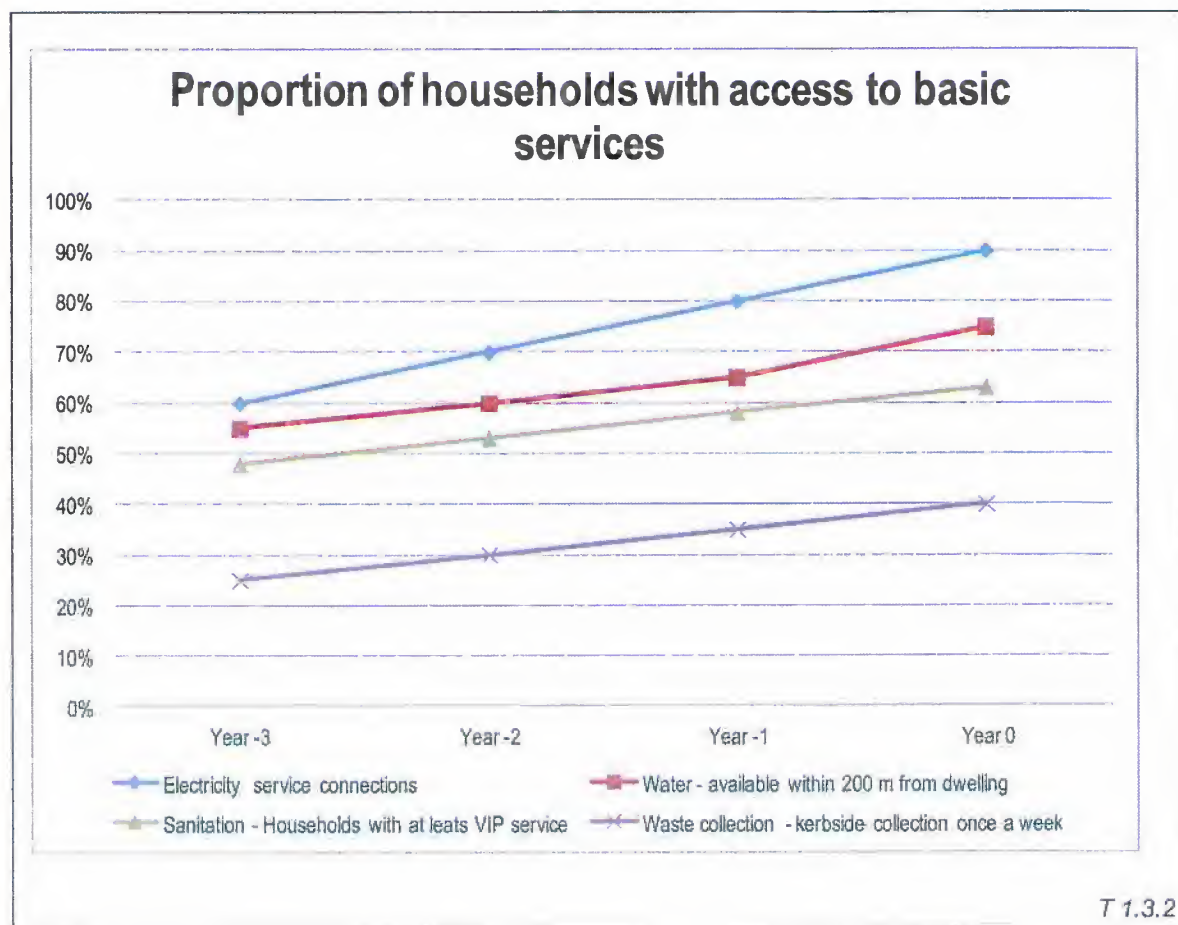
According to figure 9, there has been a steady increase in the number of people infected with HIV in Tswaing Local Municipality for the period 2000 to 2010. There were 7 841 estimated cases of HIV in 2000, while in 2010 this figure increased to 13 630, which is an increase of 5789.



According to the figure 4 above, the municipality experienced an increase in the level of education among its population from 2000 to 2010. There were about 15 000 people with grade 7 to 9 in 2000 and in 2010 this number increased to about 20 000. The number of people with matric and post matric qualifications also increased from the 2000 to 2010, for an example there was an increase of about 5 000 in the number of people with matric only during the period under review and an increase of about 1000 in people with matric and certificates.

The information provided here indicates that there was positive development in Tswaing Local Municipality in the level of education of the population, meaning that more and more people are getting education

1.3. SERVICE DELIVERY OVERVIEW



1.5. STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – October
12	Municipalities receive and start to address the Auditor General's comments	January
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	January
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	January
19	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	

T 1.7.1

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

INTRODUCTION

The Tswaing Municipality is committed to transparent and accountable governance. The broad range of public participation programmes and processes, especially related to its IDP and Budget, bears testimony to the institution's commitment to involve its communities in its planning and decision-making processes.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Council of the Tswaing Municipality is the highest decision-making authority in the institution. It guides and instructs the administrative component, which implements the decisions taken by the political component.

2.1 POLITICAL GOVERNANCE

2.1.1 Council

The Council has 29 seats (14 Proportional Representative (PR) Councillors and 15 Ward Councillors).

POLITICAL STRUCTURE

MAYOR

Cllr. Lydia Dimakatso Malwane

Presides at meetings of the duties, including any ceremonial functions and exercises the powers delegated to the Mayor by the municipal Council or the executive committee.



SPEAKER

Cllr. Phemelo Eunice Lobelo

Presides over Council meetings. Ensures that the Council meetings are conducted in accordance with the rules and order and ensures compliance in the Council and Council committees.



EXECUTIVE COMMITTEE (EXCO)

They receive reports from the portfolio committees of Council. They subsequently deliberate on those reports together with its recommendations and recommend to Council when it cannot dispose of the matter and also identify the needs of the municipality.

Review and evaluate (1. Those needs in order of priority. 2. Evaluate progress against key performance. 3. Monitor and oversee all the functions that is delegated to management.)



Cllr. Tickey Elizabeth Chabanku – Chairperson of Technical Services Portfolio



Cllr. Mbuyiselo Eric Booi – Chairperson of Corporate Administration and Finance Portfolio



Cllr. Thabo Albert Morei – Chairperson of Community Services Portfolio



Cllr. Joseph Kagiso Mangwejane – Chairperson of Planning and Development Portfolio

COUNCILLORS		
NAME AND SURNAME	CONTACT NUMBERS	WARD AND AREAS
Cllr. Bome		Ward 01 Deelpa Witpan 1 and 2 Doornbult farms
Cllr. Sehularo Vincent Moremedi	0789201122	Ward 02 Khunwana
Cllr. Matshidiso Moreo	0633165805	Ward 03 Sione Mofufutso 1 & 2 Majeng Shaleng Morena
Cllr. Keatlaletse Blou	083 3650794	Ward 04 Kopela Doornlaagte Diretsane Thawane Geluk
Cllr. Solomon Lerumo	078 390 9437	Ward 05 Ganalaagte Rakgwedi Rooidak Line
Cllr. Abram Modise	0720564299	Ward 06 Vrischgewaght Manamolela Konopo
Cllr. Borman Phutiagae	076 5748738	Ward 07 Atamelang Middleton A, B, C Bochraand farm
Cllr. Nkagisang Molehabangwe	0792232754	Ward 08 Sannieshof
Cllr. Tickey Elisabeth Chabanku	083 3585608	Ward 09 Geysdorp Delareyville Ext 7 & 8
Cllr. Silas Tsholo	083 793 1494	Ward 10 Sannieshof
Cllr. Mbuyiselo Boo	083 793 1517	Ward 11 Ottosdal

Cllr. Sam Letlakane	072 965 8969	Ward 12 Ottosdal
Cllr. Thembinkosi Mabovu	082 669 2706	Ward 13 Ottosdal
Cllr. Merriam Mokoto	083 411 7804	Ward 14 Delareyville Jachkraal farm Leeuspruit
Cllr. David Mthimkulu	083 793 1531	Ward 15 Ottosdal

PR COUNCILLORS

NAME AND SURNAME	POLITICAL PARTY	CONTACT NUMBERS
Cllr. Joseph Makalela	African National Congress	0829549467
Cllr. Dimakatso Malwane	African National Congress	0834622630
Cllr. Phemelo Lobelo	African National Congress	082 967 0439
Cllr. Mothusi Thobegane	Democratic Alliance	0719206762
Cllr. Piet Miga	Democratic Alliance	0839529886
Cllr. Kagiso Mangwejane	Democratic Alliance	0734437576
Cllr. Elsie Kgasu	Economic Freedom Fighters	0782434407
Cllr. Linda Taljaard	Democratic Alliance	082 559 8931
Cllr. Clerence Seduku	Economic Freedom Fighters	083 775 7511
Cllr. Hendrik Botha	Freedom Front+	0844045746
Cllr. Baby Madede	Economic Freedom Fighters	0781392514
Cllr. Ananias Noko	African National Congress	0710139082

Cllr. Thabo Morei	African National Congress	0780278210
Cllr. Soret Viljoen	Democratic Alliance	0834425409

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

TSWAING MUNICIPALITY MPAC STATUS AS AT JUNE 2018

BACKGROUND

The Municipal Public Accounts Committee (MPAC) was established by Council in September 2011 in terms of: Section 79, Municipal Structures Act. MFMA, Act No. 56 of 2003 – Circular No. 32 and other related legislation. These pieces of legislation provide for this Committee to render oversight function and advise Council on issues of legislative compliance and the efficiency and effectiveness of the delivery of municipal programs.

The municipal Council that was elected in 2011, inherited a municipality placed under administration section 139, Constitution of the Republic of South Africa, 1996. It was critical for the Council to priorities transparent, accountable and cooperative governance. MPAC was one of the many structures legislatively required to provide the necessary checks and balances in the affairs of our municipality. After the establishment of this Committee the mandate and functions of the committee were clear. The Committee attended number of empowerment workshops to enable it to execute its responsibilities with ease and certainty. Nevertheless, our empowerment and recognition were only limited to workshops and nothing was provided in terms of institutional arrangement. This Committee can therefore be allowed to prevail only on the occasion of tabling an oversight report.

Members of the Municipal Public Accounts Committee: (ANC 6 councilors and DA 1, EFF 1 councilor)

- | | |
|-------------------------------|----------------------|
| 1. Cllr. A Noko (Chairperson) | 2. Cllr. M Thobegane |
| 3. Cllr. S Moremedi | 4. Cllr. G Kgasu |
| 5. Cllr. S. Letlakane | 6. Cllr. K Blou |
| 7. Cllr. B Phutiyagae | 8. Cllr. S Tsholo |

TOP ADMINISTRATIVE STRUCTURE

MUNICIPAL MANAGER

Mr. Manoto Isaac Moruti

1. Provide and manage corporate, technical, financial and Ccommunity services in the municipality
2. Render strategic support
3. Manage development, planning and protection services

DIRECTORS

DIRECTOR (ACTING): Ms. Gomolemo Moipolai – Technical Services Department

1. Manage the sanitation, parks, and sewerage division in accordance with IDP
2. Manage the mechanical & electrical division in accordance with IDP
3. Manage the water, roads and storm water division in accordance with the IDP
4. Render administrative support to the department

DIRECTOR (ACTING): Mr. Mogale Morwe - Community Services Department

1. Manage public safety and transportation services
2. Manage licensing, traffic control and law enforcement
3. Oversee land use management and housing
4. Library services

DIRECTOR (ACTING) Ms. Stonea Pelele – Budget and Treasury Office.

1. Manage revenue & collection policies and procedure
2. Render budget and financial statements services.
3. Manage expenditure, supply chain management and credit control mechanisms.

DIRECTOR: Ms. Vashty Ndongeni – Corporate Administration and Human Resources.

1. To provide office auxiliary services to the municipality
2. Provide human resource management and support/secretariat to council.

These listed above officials are on fixed term performance contracts reporting to the Municipal Manager under the Municipal Systems Act Section 56 & 57.

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

There has been a slight improvement regarding governance and intergovernmental relations. The improvement from sector departments is that they are attending consultative meetings and submitting their planned projects and progress reports on time although in terms of delegation to meetings, they send junior officials. Furthermore, inter-governmental activities are coordinated between the municipality and different government sectors.

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

All national government departments.

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

All provincial departments.

RELATIONSHIPS WITH MUNICIPAL ENTITIES

The municipality does not have any entities.

DISTRICT INTERGOVERNMENTAL STRUCTURES

All government departments at the district level.

Chapter 2

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Note: MSA section 17 (2): requires a municipality to establish and organise its administration to facilitate a culture of accountability amongst its staff. Section 16 (1): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. Section 18 (a) - (d): requires a municipality to supply its community with information concerning municipal governance, management and development.

T 2.4.0

2.4 PUBLIC MEETINGS

DATE	TIME	WARDS	VENUES	OBJECTIVES	RESPONSIBILITY
12/04/2018	10h00	Ward 8 Agisanang Sannieshof	Agisanang hall	Service Delivery	Mayor, Exco Members & Councillors
		Ward 10 Agisanang Zoihuis Verdien Vermas	Agisanang hall	Service Delivery	Mayor, Exco Members & Councillors
13/04/2018	10h00	Ward 5 Ga-Maloka Rakgwedi1&2 Rooidak Skuurlike Line	Bakolobeng Tribal Office hall	Service Delivery	Mayor, Exco Members & Councillors
13\04\2018	14H00	Ward 4 Kopela Diretsane Thawane Ntuwane Geluk	Kopela community hall	Service Delivery	Mayor, Exco Members & Councillors

Chapter 2

DATE	TIME	WARDS	VENUES	OBJECTIVES	RESPONSIBILITY
17\04\2018	10h00	Ward1 Deelpa Witpan1&2 Doornbult	Deelpa community hall	Service Delivery	Mayor, Exco Members & Councillors
18/04/2018	10h00	Ward 3 Sione, Mofufutso 1&2, Shaleng, Morena, Majeng	Sione community Hall	Service delivery	Mayor, Exco Members & Councillors
19/04/2018	10h00	Ward 6 Vrisgewagte Konopo Marotse Manamolela	Vrisgewagte hall	Service Delivery	Mayor, Exco Members & Councillors
19/04/2018	14h00	Ward 7 Atamelang Middleton A & B Bosrand	Sassa House Middleton A	Service Delivery	Mayor, Exco Members & Councillors
20/04/2018	10h00	Ward2 Khunwana	Tribal Hall	Service Delivery	Mayor, Exco Members & Councillors
24/04/2018	10h00	Ward14 Delareyville Jachtkraal farm Leeuspruit Damascus farm	Delareyville hall	Service Delivery	Mayor, Exco Members & Councillors
24/04/2018	10h00	Ward 11 Letsopa	Letsopa community hall	Service Delivery	Mayor, Exco Members & Councillors
	10h00	Ward 12 Letsopa Gerdeu Boschrand Uitschot Holfontein Gestoptefontein Palmietkuil	Ramagopa primary school	Service Delivery	Mayor, Exco Members & Councillors
	10h00	Ward 13 Letsopa, Ottosdal	New Letsopa hall	Service Delivery	Mayor, Exco Members & Councillors

Chapter 2

DATE	TIME	WARDS	VENUES	OBJECTIVES	RESPONSIBILITY
	10h00	Ward 15 Letsopa Paauwkoop Zoutpan Boschbuilt farm Ottosdal	Leretletse Lesedi High school	Service Delivery	Mayor, Exco Members & Councillors
25/04/2018	10h00	Ward 9 Delareyville Geysdorp Groenteland Excelsia	Geysdorp	Service delivery	Mayor, Exco Members & Councillors

WARD COMMITTEES

FUNCTIONALITY OF WARD COMMITTEES FOR THE YEAR ENDED JUNE 2018.

1. Functionality of Ward Committees.

- All Ward Committees are intact and operational
- The ward committees interact with community development structures, agricultural structures, youth structures, business organisations and government departments.
- The ward committees interact with community development structures on issues related to service delivery and community development workers are attending ward committee meetings in all 15 Wards.
- Ward Committees are involved in IDP public participation meetings.

2. Reporting template.

- The reporting template is developed to assist Ward Committees secretaries and the individual Ward Committee members to report on their activities. The operational plans are developed to guide ward committees on activities that must be implemented in their respective wards.
- The first reporting template is to be used by Ward Committee secretary for his/her quarterly consolidation report to the Speakers office.
- The second reporting template is to be used by individual Ward Committee member for their monthly report to the Ward Committee meeting.
- The third reporting template is to be used specifically for items or issues that require the Speaker, the Mayor, Municipal Manager, Director or Municipal Council's attention to resolve.

Chapter 2

3. Gender composition.

- In all ward committees' gender is well balanced, 50% male and 50% female.

4. Administrative support.

- The municipality is giving the Ward Committees monthly stipend.
- Ward Committees do not have stationery.

5. Ward committee/Ward meetings.

- Monthly public meetings are not being consistently held by ward councilors and reports are not being forwarded monthly to the Speakers office.
- CDW's are invited to ward committee meetings and they are participating in all programs.
- Venues/Offices remain a challenge in all ward committees.
- Ward committees are being involved in all processes of public participation.
- One official is appointed to coordinate ward committees.
- Section 5 of Tswaing Local Municipality's Policy on Ward Committees outlines duties and powers of the ward committees.

6. Community involvement.

- No Communication Strategy/Policy was development.
- The programme is on process.
- The portfolio committees interact regularly with this sectors and stakeholders
- A newsletter was developed.

Chapter 2

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 of Municipal Systems Act 2000	T 2.5.1

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

Government must harness the power of ethics which is assuming a new level of importance and power. Good corporate governance is about intellectual honesty and not just about sticking to rules and regulations. Connecting corporate governance with legislative risk management is important as guidelines to operate within the parameters of legislation.

The Local Community needs to trust that their Municipality an Management will do what is in their best interest and on the other hand management must listen to what its communities need through public participation. Good corporate governance should factor local government's levels of legislative compliance with executive - level compliance focused on establishing consistency and standards as an embedded process.

Tswaing Local Municipality gives attention to efficiency and benchmarking is conducted regularly against outputs to ensure implementation. The municipality comprehends the importance of risk and legislative risk management, along with the importance of integrated sustainability management and reporting structures. Tswaing Local Municipality strives towards conformance and performance, whilst always respecting stakeholder activism and participation. Risk assessment and management processes are key to effective governance hence the municipality constantly monitors risks to ensure efficiency.

Chapter 2

On an Annual basis the Municipality produces Annual Financial Statements which, together with the Annual Performance Report are audited by the Auditor General. To prevent unnecessary complications the effectiveness of audits and their independence are ensured by a highly skilled and qualified team of auditors

2.6 RISK MANAGEMENT

RISK MANAGEMENT

The Municipality did not have an effective risk management and risk assessment system during the financial year under review.

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

The municipality has developed and adopted the fraud prevention policy. The fraud prevention strategy and framework have not been developed

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

The Supply Chain Management (SCM) Policy was developed and approved by Council in March 2016. In terms of the SCM Regulations, the SCM Policy has to be reviewed at least annually by the Council. The current SCM Policy was reviewed and presented to council for adoption together with the 2016/17 budget.

Reporting on the implementation of the SCM Policy is not done on a quarterly basis. While the current SCM Policy caters for the provisions of Section 112 of the MFMA, the challenge is that SCM is not operating with a legally compliant structure; hence compliance with the SCM implementation checklist becomes a challenge. Bid Committees have been established in line with Regulations 27, 28 and 29 of the MFMA. There

Remedial action has to be taken to address the shortfall, i.e. the SCM Structure to be developed and approved by Council, subject to the grading of the proposed posts.

Chapter 2

2.9 BY-LAWS

By-laws Introduced during Year 0					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
None	None	No	N/A	No	N/A
					T 2.9.1

COMMENT ON BY-LAWS:

Note: MSA 2000 s11 (3) (m) provides municipal councils with the legislative authority to pass and implement by-laws for the betterment of the community within the terms of the legislation.

T 2.9.2

Chapter 2

2.10 WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	
All current budget-related policies	No	
The previous annual report (Year -1)	No	
The annual report (Year 0) published/to be published	Yes	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	No	
All service delivery agreements (Year 0)	No	
All long-term borrowing contracts (Year 0)	No	
All supply chain management contracts above a prescribed value for Year 0	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No	
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in Year 0	No	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	No	

COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS:

The municipality has established its own website and it is operational. It is being updated in order to comply with legislation though there is a challenge as there is no communication unit in place.

Chapter 2

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFACTION LEVELS

The satisfaction survey was not conducted

T 2.11.1

Satisfaction Surveys Undertaken during: Year -1 and Year 0				
Subject matter of survey	Survey method	Survey date	No. of people included in survey	Survey results indicating satisfaction or better (%)*
Overall satisfaction with:				
(a) Municipality				
(b) Municipal Service Delivery				
(c) Mayor				
Satisfaction with:				
(a) Refuse Collection				
(b) Road Maintenance				
(c) Electricity Supply				
(d) Water Supply				
(e) Information supplied by municipality to the public				
(f) Opportunities for consultation on municipal affairs				
* The percentage indicates the proportion of those surveyed that believed that relevant performance was at least satisfactory				T 2.11.2

Chapter 3

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

INTRODUCTION

The municipality managed to deliver services within the available resources encountering major challenges such as old infrastructure that have surpassed their lifespan. Operation and maintenance was negatively affected due to an unfunded Budget wherein tools and materials were not source timeously. Capital projects funded by MIG were implemented accordingly though there were challenges such as poor performance by contractors. Major service delivery was achieved with the support of Sector Departments as well as the district municipality and state-owned entities.

The main service delivery challenges are in the water, sanitation, roads and public transport services, however, the intervention on water and sanitation was made through Sedibeng Water board. This was as a result of the district municipality, which is the water service authority, inability to execute its functions. The funding allocated to Sedibeng Water was exhausted and not all challenges were addressed. Free basic water is being supplied to all consumers. Free basic electricity could not be implemented due to the poor financial viability status of the municipality.

The public transport services are collectively the responsibility of Department of Transport, NMMDM and Tswaing LM that receive no funding for Public Transport Facilities.

The funding allocation for Water and Sanitation Services is not sufficient to address the real challenges where the major issue in urban areas are bulk water shortages with collectively in both rural villages and urban areas the shortage of distribution infrastructure to new Extensions/Developments.

A major challenge is vested in the shortage of managerial component in the technical services department. The director technical resigned at the end of March 2018. There were still no competent officials in relevant sections to perform functions of service delivery.

T 3.0.1

Chapter 3

COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

INTRODUCTION TO BASIC SERVICES

Electricity:

Most of electricity is supplied by Eskom at Locations and villages on prepaid metering that has free basic services loaded monthly. Eskom has managed to cover most of the area of Tswaing LM with electricity supply. Tswaing LM is only supplying in Delareyville, Sannieshof and Ottosdal electricity to the Consumers. This excludes Agisanang, Letsopa Atamelang and all villages. Tswaing LM does not supply Free Basic Electricity. The municipality experienced high material losses on electricity distribution amounting to millions of rands.

Refuse Removal:

Refuse removal is only supplied to the urban areas with no service in rural villages. The size of teams that remove refuse stayed the same for more than 15 years, but some service areas increased up to seven-fold putting personnel under severe stress to render the services with outdated and unreliable vehicles and equipment.

Landfill sites are not maintained to legislative standards. The municipality does not have integrated waste management strategy in place; machinery as well as employees to perform functions at landfills across the municipality.

Roads & Storm water:

The Roads and Storm water section does not have employees, vehicles or equipment to render the services. Blocked drains and a lot of potholes occur throughout Tswaing LM making roads unsafe and flooding a reality. Delareyville expanded in developed stands that produce high storm water run-off into the pan adjacent to Delareyville with no outlet. This shall have long lasting flooding potential for the lower laying area in Delareyville if a High Intensity of more than 50-year return period occurs.

T 3.1.0

Chapter 3

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

Bulk Water Supply shortage of infrastructure in urban areas and poor maintenance are directly responsible for major water tankering services needed to provide basic water in Tswaing. New extensions as well as old sections within rural villages encounter water supply shortages directly influenced by poor borehole maintenance, electricity cuts by Eskom for non-payment of accounts and the vast amount of illegal connections to the infrastructure that supply water to the reservoirs.

There are still in the region of 4000 households outside the RDP standard of max. 200m from water supply points.

There is no water loss control system in place to accurately report on losses. The municipality is also losing high volumes of water amounting to millions of rands. This is due to the shortage of relevantly qualified personnel in water management.

COMMENT ON WATER USE BY SECTOR:

The water supply in Tswaing are for domestic use through existing water distribution network and tankering services to more than 5 000 households that does not have bulk water supply or no distribution network for provision of water.

The water demand is rapidly growing, and no sufficient funding is available to keep track with growth over the past 20 years. All the water supply comes from boreholes that shall provide major challenges in drought years. Over-abstraction is common to keep track with the growing water needs of the Community. The recent drought affected the water levels in boreholes which resulted in additional water boreholes be drilled.

T3.1.2.2

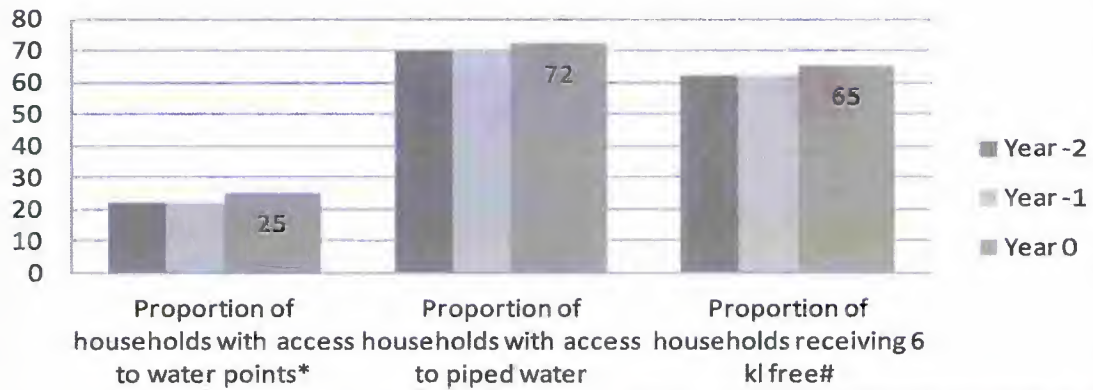
Chapter 3

Water Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Households Year 0
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
Water: (above min level)				
Piped water inside dwelling	–	–	–	–
Piped water inside yard (but not in dwelling)	–	–	–	–
Using public tap (within 200m from dwelling)	18 006	18 665	19 325	19 700
Other water supply (within 200m)				
<i>Minimum Service Level and Above sub-total</i>	18 006	18 665	19 325	19 700
<i>Minimum Service Level and Above Percentage</i>	74%	76%	78%	78%
Water: (below min level)				
Using public tap (more than 200m from dwelling)				
Other water supply (more than 200m from dwelling)	6 175	5 881	5 587	5 585
No water supply				
<i>Below Minimum Service Level sub-total</i>	6 175	5 881	5 587	5 585
<i>Below Minimum Service Level Percentage</i>	26%	24%	22%	22%
Total number of households*	24 181	24 546	24 912	25 285
* - To include informal settlements				T 3.1.3

Households - Water Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	24 181	24 546	24 912	25 285	25 285	25 285
Households below minimum service level	0	0	0	0	0	0
Proportion of households below minimum service level	0%	0%	0%	0%		0%
Informal Settlements						
Total households	24 181	24 546	24 912	25 285	25 285	25 285
Households below minimum service level	6 175	5 881	5 587	5 585	5 585	5 585
Proportion of households below minimum service level	26%	24%	22%	22%		22%
T 3.1.4						

Chapter 3

Access to Water



* Means access to 25 liters of potable water per day supplied within 200m of a household and with a minimum flow of 10 liters per minute

6,000 liters of potable water supplied per formal connection per month

T 3.1.5

Chapter 3

Water Service Policy Objectives Taken From IDP						
Service Objectives	Outline Service Targets	Year -1		Year 0		Actual
		Target	Actual	Target	Actual	
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)
Service Objective 001						
Provision of water	% of water network and pumps maintained.	100% of water network and pumps maintained.	Not achieved.	100% of water network and pumps maintained	50% of water network and pumps maintained	Achieved
	Number of households connected to water network as per received application	100 households connected to water network as per received application	Not achieved	100 households connected to water network as per received application	30 households connected to water network as per received application	Achieved
<p>Note: This statement should include no more than the top four priority service objectives, including milestones that relate to the blue water drop status as set out by the Water Affairs department. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. *'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</p>						

Chapter 3

Employees: Water Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	0	1	100%
4 - 6	4	5	5	0	0%
7 - 9	7	5	7	-2	-40%
10 - 12	0	0	0	0	0%
13 - 15	11	14	10	4	29%
16 - 18					
19 - 20					
Total	22	25	22	3	12%

Financial Performance Year 0: Water Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	6233	6065	6065	6354	5%
Expenditure:					
Employees	5382	5558	5558	5217	-7%
Repairs and Maintenance	1240	128	128	88	-45%
Other	5040	5102	791	1064	-380%
Total Operational Expenditure	11662	10788	10788	7605	-42%
Net Operational Expenditure	5429	4723	4723	1251	-278%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					
					T 3.1.8

Chapter 3

COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

Tswaing LM is under pressure from the community to receive better water service delivery. NMMDM as the WSA (Water Service Authority) does not have capacity to support the Local Municipalities regarding Integrated Planning and Implementation of Projects linked to the IDP. There is no Water Services Development Plan (WSDP), nor policies, by-laws and tariff structures governing to sustain itself. Projects are implemented in an ad-hoc basis and projects are not always timeously implemented within the financial year budgeted for.

Operations and maintenance are not done accordingly. This contributes to the fact that Tswaing LM is not financially sustainable with further expenditure on bulk water services in the name of NMMDM (WSA) that does not refund Tswaing LM for expenditures incurred. Millions must be written off in both instances.

NMMDM stopped supplying water tanker trucks that assist in providing basic water to approximately 6000 households that do not have RDP standard or any water supply. Projects within the Project Management Unit of NMMDM are not funded.

The challenge in the Directive implementation is that NMMDM is not co-operating because MIG projects resorts under the Minister of Local Government and Traditional Affairs that did not partake in the Directive 38100 issues. The implementation of Directive 38100 is not progressing well.

T 3.1.10

3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

There are still more than 5600 households not supplied with RDP standard of sanitation in both rural villages and urban areas. Tswaing LM is under pressure from the community to receive better sanitation service delivery. NMMDM as the WSA (Water Service Authority) does not work with the Local Municipalities regarding Integrated planning and implementation of projects linked to the IDP.

There's no Water Services Development Plan (WSDP), nor policies, by-laws and tariff structures governing bulk Services to sustain itself. Projects are implemented in an ad-hoc basis and projects are not always timeously implemented within the financial year budgeted for.

Currently with the major shortfall of bulk water in the urban areas, the waterborne sewer network cannot operate as designed without sufficient water. This creates major sewage blockages that leave

Chapter 3

the sewer network overflowing with major health risks to the community, especially the infants and older generation.

Ottosdal and Sannieshof conservancy sewage tanks are being serviced by two vacuum tanker trucks supplied by Sedibeng Water Board. The townships are served with waste water treatment plants by sewage pump stations in Ottosdal, Sannieshof, Delareyville and Atamelang operated by NMMDM.

The two newly activated sludge WWTP's in Delareyville and Ottosdal are being run by NMMDM and are not compliant with green drop waste water status.

T 3.2.1

Sanitation Service Delivery Levels				
Description	Year -3	Year -2	Year -1	*Households Year 0
	Outcome No.	Outcome No.	Outcome No.	Actual No.
<u>Sanitation/sewerage: (above minimum level)</u>				
Flush toilet (connected to sewerage)				
Flush toilet (with septic tank)				
Chemical toilet				
Pit toilet (ventilated)				
Other toilet provisions (above min.service level)	8 309	11 456	14 603	10 809
Minimum Service Level and Above sub-total	8 309	11 456	14 603	10 809
Minimum Service Level and Above Percentage	34.4%	46.7%	58.6%	42.7%
<u>Sanitation/sewerage: (below minimum level)</u>				
Bucket toilet				
Other toilet provisions (below min.service level)	15 872	13 090	10 309	14 476
No toilet provisions				
Below Minimum Service Level sub-total	15 872	13 090	10 309	14 476
Below Minimum Service Level Percentage	65.6%	53.3%	41.4%	57.3%
Total households	24 181	24 546	24 912	25 285
*Total number of households including informal settlements				T 3.2.3

Chapter 3

Households - Sanitation Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original	Adjusted	Actual
	No.	No.	No.	Budget	Budget	No.
Formal Settlements						
Total households	24 181	24 546	24 912	25 285	25 285	25 285
Households below minimum service level						
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
Informal Settlements						
Total households	24 181	24 546	24 912	25 285	25 285	25 285
Households below minimum service level	15 872	13 090	10 309	14 476	14 476	14 476
Proportion of households below minimum service level	66%	53%	41%	57%	57%	57%
						T 3.2.4

Chapter 3

Waste Water (Sanitation) Service Policy Objectives Taken From IDP						
Service Objectives	Outline Service Targets	Year -1		Year 0		Actual
		Target	*Previous Year (iii)	Target	*Previous Year (v)	*Current Year (vi)
Service Indicators (i)	(ii)					(vii)
Service Objective 002						
Provision of Sanitation	The number of households connected to sewer as per received applications.	100 households connected to sewer network as per received application	Achieved	20 households connected to sewer network as per received application	30 households connected to sewer network as per received application	Achieved
	% of waste water network and treatment plants maintained	100% of waste water network and treatment plants maintained	Achieved	100% of waste water network and treatment plants maintained	100% of waste water network and treatment plants maintained	Achieved
Note: This statement should include no more than the top four priority service objectives, including milestones that relate to the green drop status as set out by the Water Affairs department. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. *'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.						

Chapter 3

Employees: Sanitation Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	
4 - 6	1	0	1	-1	
7 - 9	5	9	2	7	78%
10 - 12	2	2	2	0	0%
13 - 15	18	40	16	24	60%
16 - 18					
19 - 20					
Total	26	51	21	30	59%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Financial Performance Year 0: Sanitation Services					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	3481	6875	6875	10001	31%
Expenditure:					
Employees	1710	3865	3865	3354	-15%
Repairs and Maintenance	315	311	311	255	-22%
Other	118	519	519	603	14%
Total Operational Expenditure	2143	4695	4695	4212	-11%
Net Operational Expenditure	-1338	-2180	-2180	-5789	62%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

Chapter 3

COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

In general waterborne sanitation services are directly linked to bulk water services. In case there is no bulk water services available the waterbourne sanitation systems shall fail dismally. The cost to run the sanitation systems is high and the health risk keeps on growing by time. Should it not be rectified, huge costs and health problems can lead to epidemic breakout of deseases. NMMDM does not have a five year sanitation eradication plan.

There is no Operational and Maintenance Masterplan or Capital Investment Plan available in place that can bring back an acceptable level of sanitation provision. Sanitation is not getting the necesarry attention from NMMDM and thus the Directive 38100 of Water Affairs are welcomed in the name of service delivery.

No VIP sanitation were implemented except for those that Human Settlements provided when constructing the RDP housing units.

T 3.2.10

Chapter 3

3.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

Tswaing Municipality is licenced in terms of Electricity Regulation Act 4 of 2006 for electricity distribution in three towns namely: Delareyville, Ottosdal and Sannieshof. Eskom is licenced to distribute in all villages and townships in the entire municipality. Out of 35689 households in the municipal area we have 5968 households provided with electricity by Tswaing LM and 20843 provided with electricity by Eskom. Distribution networks are mainly composed of wooden pole structures which are failing due to aging. Medium voltage switching equipment are of old technology and very unsafe to operate and thus requires replacement. General maintenance is impaired by unfunded budget and this deteriorates network conditions

T 3.3.1

Households - Electricity Service Delivery Levels below the minimum	
Description	Actual No.
Formal Settlements	
Total households	35,689
Households below minimum service level	6,878
Proportion of households below minimum service level	19%
Informal Settlements	
Total households	1,750
Households below minimum service level	8,628
Proportion of households below minimum service level	4,9%

Chapter 3

Electricity Service Policy Objectives Taken From IDP						
Service Objectives	Outline Service Targets	Year -1		Year 0		Actual
		Target	Actual	Target	Actual	
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)
Service Objective 003						
<i>Provide Electricity</i>	Number of households with electricity connections as per received applications	100 household to be supplied with electricity	Not achieved	20 household to be supplied with electricity	30 h/h to be supplied with electricity	Achieved
<i>Provide Street Lighting</i>	% of regular maintenance of street lights	100 % of regular maintenance of street lights	Not achieved	80% Network Maintained (20% Improvement	20% Network Maintained (20% Improvement	Achieved
<p><i>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets set that were set in the Year -1 Budget/IDP round; *Current Year' refers to the targets set in the Year 0 Budget/IDP round. *Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</i></p>						

Chapter 3

Employees: Electricity Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	6	1	5	80%
4 - 6	2	6	2	4	67%
7 - 9	0	0	1	-1	
10 - 12	1	0	2	-2	
13 - 15	4	12	2	10	83%
16 - 18					
19 - 20					
Total	9	23	8	15	65%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T 3.3.6

Financial Performance Year 0: Electricity Services					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	26956	41294	41294	31564	-31%
Expenditure:					
Employees	3174	4427	4427	3494	-27%
Repairs and Maintenance	316	422	422	600	30%
Other	32609	40325	40325	1039	-3781%
Total Operational Expenditure	36099	45174	45174	5133	-780%
Net Operational Expenditure	9143	3880	3880	-26431	115%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.3.7

Chapter 3

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

The service performance on electrical supply is becoming a major challenge due to poor maintenance hampered by development taking place and upgrades or refurbishment does not keep track with the demand. Especially the Circuit Breakers are more and more encountering trips due to overloads in Delareyville. Most of switchgears in Delareyville are Isolators that are without tripping facility and this integrates faulty circuits with healthy ones. In all three towns majority of our underground cables are old and some need upgrade and others replacement due to drying impregnated insulation medium.

Old switchgear, transformers and MV cables need to be replaced to ensure sustainable electricity supply to the businesses and consumers to sustain the economy of Tswaing as a whole. Increase of notified maximum demand (NMD) in Delareyville is applied for, in order to compensate and accommodate new development in the area. In Ottosdal the consumption have been for ever below the NMD and this has a negative impact and thus a reduction of NMD is applied for.

Operation and maintenance on MV and LV electrical network need to be done urgently otherwise the sustainability of the electricity supply shall be threatened. The shortage of staff, material, equipment and tools, as well as funds is affecting the supply of reliable, safe and uninterrupted power supply.

T 3.3.9

Chapter 3

3.4 WASTE MANAGEMENT

(This section includes: refuse collections, waste disposal, street cleaning and recycling)

INTRODUCTION TO WASTE MANAGEMENT

Tswaing Local Municipality provide refuse collection services in three (3) towns (Delareyville, Ottosdal and Sannieshof). Atamelang, Agisanang and Letsopa townships also enjoy the refuse collection services.

The refuse is transported to various landfill sites which are licensed and based in Delareyville, Sannieshof, Ottosdal and Atamelang. The landfill site in Agisanang is a challenge and must receive a serious attention. The municipality appointed a service provider to look for a suitable and alternative site in Sannieshof to relocate the current landfill site, but the situation is still a challenge due to suitable site for a landfill site.

Waste Management is one of the core activities in Local Government, hence the municipality tries within its limited resources to provide this service to the communities of Tswaing Local Municipality.

The Tswaing Local Municipality has increased access to basic services considerably over the last nine (9) years. About 60% of households receive weekly refuse removal within the municipality, in particular urban areas.

T 3.4.1

Households - Solid Waste Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	100,000	100,000	100,000	100,000	100,000	100,000
Households below minimum service level	25,000	25,000	25,000	25,000	25,000	25,000
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
Informal Settlements						
Total households	100,000	100,000	100,000	100,000	100,000	100,000
Households below minimum service level	25,000	25,000	25,000	25,000	25,000	25,000
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%

T 3.4.3

Chapter 3

Waste Management Service: Policy Objectives Taken From IDP						
Service Objectives		Outline Service Targets		Year 0		
Service Indicators (i)	(ii)	Target	Actual	Target	Actual	*Current Year (vi) (vii)
		*Previous Year (iii)		*Previous Year (v)		
Service Objective 004						
To improve the quality and quantity of municipal waste management	Number of households with access refuse removal	3 153 households provided with access refuse removal	Not achieved	3153 households provided with access refuse removal	3 153 households provided with access refuse removal	Not achieved
Municipal health services in terms of waste management	Number of households with access to solid waste removal	10 159 with access to solid waste removal services	Achieved	10 159 households with access to solid waste removal services	10 159 h/h with access to solid waste removal services	Achieved
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *Current Year' refers to the targets set in the Year 0 Budget/IDP round. *Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.						

Chapter 3

Financial Performance Year 0: Solid Waste Management Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	9277	9277	9867	6%
Expenditure:					
Employees	5802	6187	6187	6295	2%
Repairs and Maintenance	109	322	322	375	14%
Other	274	75	75	161	53%
Total Operational Expenditure	6185	6584	6584	6831	4%
Net Operational Expenditure	6185	-2693	-2693	-3036	11%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.4.7					

Financial Performance Year 0: Waste Disposal and Other Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	0	0	0	0	0%
Repairs and Maintenance	0	0	0	0	0%
Other	0	0	0	0	0%
Total Operational Expenditure	0	0	0	0	0%
Net Operational Expenditure	0	0	0	0	0%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.4.8					

COMMENT ON WASTE MANAGEMENT SERVICE PERFORMANCE OVERALL:

The municipality is trying its level best to perform this function with very limited resources and obsolete machinery. Landfill sites are fenced with concrete, but vandalism is a challenge. A new organisational structure caters for a waste management unit, which will positively impact on the performance. The unregistered informal recyclers are played a role in clearing some scrap around the municipality. The situation is not satisfactory in some townships but cleaning campaigns with community members makes the situation better. The municipality intend involving both provincial and national departments for extra support to improve the situation

T 3.4.10

Chapter 3

3.5 HOUSING

INTRODUCTION TO HOUSING

During the 2017/18 Financial Year, the Department of Local Government and Human Settlement in collaboration with the municipality implemented housing projects in the following areas:

Witpan 1 and 2

Deelpan

T 3.5.1

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
Year 0	69000	56000	81.2%
T 3.5.2			

Chapter 3

Housing Service Policy Objectives Taken From IDP						
Service Objectives Service Indicators (i)	Outline Service Targets (ii)	Year -1		Year 0		
		Target	Actual	Target	Actual	Actual
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)
Service Objective 005						
Promote spatial integration	Number of hectares of municipal land released for human settlements development	8 Hectares of municipal land released for human settlements development	Not achieved	3 Hectares of municipal land released for human settlements development	3 hectares of municipal land release for human settlement development by June 2018	Achieved
Facilitate the provision of housing service	Number of informal settlements formalised	3 informal settlement formalised	Not Achieved.	3 informal settlements formalised	3 informal settlement formalised	Achieved
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. *'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.						

Chapter 3

Employees: Housing Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	4	2	2	50%
4 - 6	4	5	4	1	20%
7 - 9	2	10	2	8	80%
10 - 12	2	3	1	2	67%
13 - 15	0	0	0	0	
16 - 18					
19 - 20					
Total	10	22	9	13	59%

Financial Performance Year 0: Housing Services					
R'000					
Details	Year - 1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	817	953	953	616	-55%
Expenditure:					
Employees	2733	3535	3535	2432	-45%
Repairs and Maintenance	0	0	0	0	
Other	16	21	21	1542	99%
Total Operational Expenditure	2749	3556	3556	3974	11%
Net Operational Expenditure	1932	2603	2603	3358	22%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					
T 3.5.5					

Capital Expenditure Year 0: Housing Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
No Capital Projects	0	0	0		

Chapter 3

COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

Function of human settlement are mostly carried out by the province. The municipality plays the role of oversight only because the function is the responsibility of the provincial department of Local Government & Human Settlements.

T 3.5.7

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

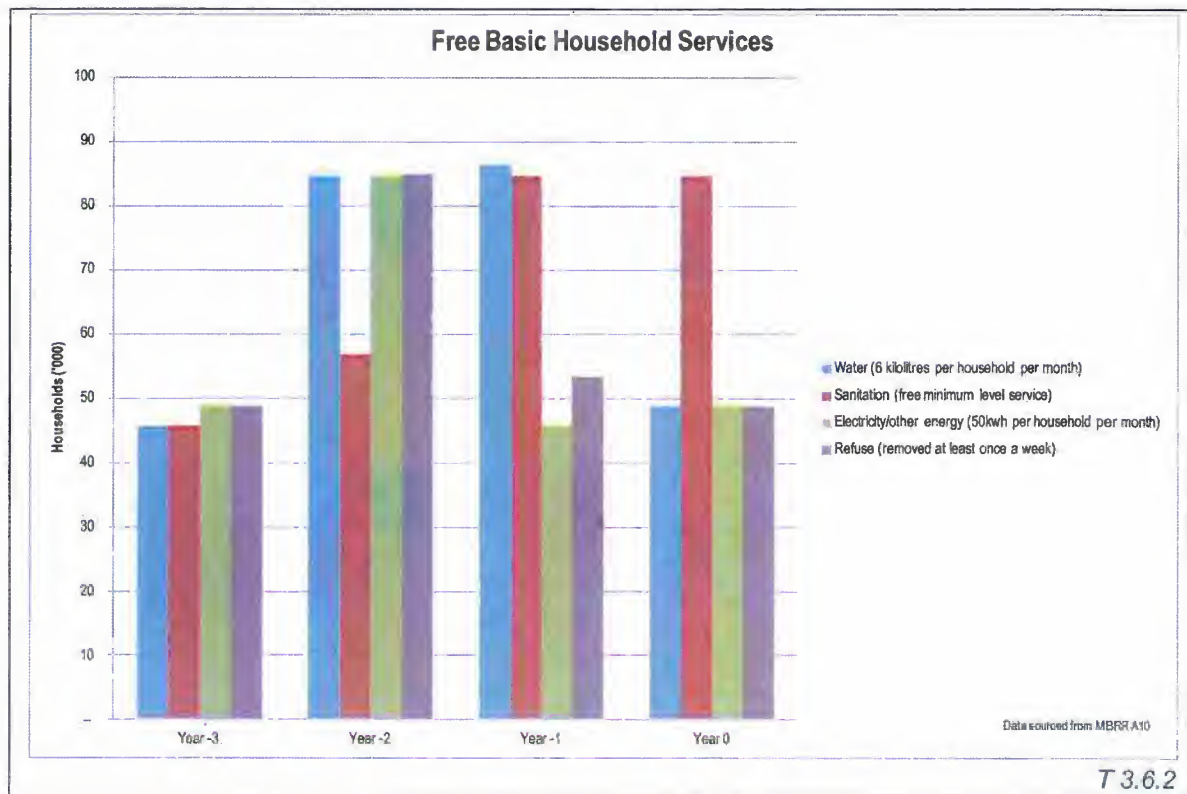
INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

1. AIMS AND OBJECTIVES

The objective of the indigent support is to ensure the following: -

- 1.1 The provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the council and to provide procedures and guidelines for the subsidization of basic service(s) charges to its indigent households, using the council's budgetary provisions received from central government in accordance with prescribed policy guidelines.
- 1.2 The council also recognizes that many of the residents can simply not afford the cost of full provision and for this reason the council will endeavour to ensure affordability through setting tariffs in terms of the council's tariff policy, which will balance the economic viability of continued service delivery and determining appropriate service levels.
- 1.3 This policy aims to address the key issues and challenges of Indigents. The strategic aim is to create an enabling environment in which the objectives of revenue generation can be realized, given that many of the residents can simply not afford the cost of full provision of services.
- 1.4 Provide procedures and guidelines for the subsidization of basic service(s) charges to indigent households, using the council's budgetary provisions received from central government in accordance with prescribed policy guidelines.
- 1.5 Established a fair and equitable common Indigent Policy throughout the Tswaing Local Municipality.
- 1.6 Facilitate implementation of effective program to assure free services to those that cannot afford it, while eliminating the booking of these services as outstanding debtors.
- 1.7 Provide a framework to assist the municipality in identifying those who qualify for the limited basic services and assuring that the limits are placed as needed 3.6.1

Chapter 3



Chapter 3

[illegible]

Chapter 3

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

1. Qualifying Criteria

1.1. To qualify for the registration as an indigent, an applicant must satisfy the following criteria;

- (a) The usage of the property must predominantly be for private residential,
- (b) The applicant must be the registered owner of the property,
- (c) The total household income must not exceed R 3 000.00 per month,
- (d) The applicant must not be the registered owner of more than one property,
- (e) Council or the delegated person may determine the criteria as mentioned in sub-items (a) and (b); and
- (f) Indigent applications will be audited on annual basis.

1.2. The following categories of household qualify for the special inclusion in the indigent subsidies scheme, but the application process should be followed as stated in 8.5 below;

- Income of two Pensioners in the form of Social Grant,
- Foster Child Grant,
- Child Support Grant, and
- Care Dependency Grant.

3.6.6

COMPONENT B: ROAD TRANSPORT

This component includes: Roads and Waste water (storm water drainage).

INTRODUCTION TO ROAD TRANSPORT

The roads in Tswaing have different categories that are managed by SANRAL (National Roads), Public Works and Transport (Provincial Roads, NMMDM (District Roads) and Tswaing LM (Urban Roads only). SANRAL road (N14) is stable and well maintained.

All Provincial Roads are in a fair state. The Provincial and district roads (gravel) are rarely maintained, and mostly in a very bad state. Conditions of these roads do have a negative impact on the economic ability of the rural consumers that are mostly poor people. Taxi's and busses providing public transport on the gravel roads cannot be viable if taking in consideration the maintenance and replacing cost of the vehicles. There is an Integrated Transport Plan (ITP) developed by Department of Transport that need updating and project funding.

T 3.7

3.7 ROADS

INTRODUCTION TO ROADS

The construction and maintenance of road infrastructure is a priority. Department of Public Works is responsible for implementing roads projects intended to service the rural communities or villages. Tarred roads are urgently needed to service the rural communities.

The roads function of all villages was transferred to NMMDM that left only the urban roads as a function of Tswaing LM. There is a Roads Master plan that was developed through NMMDM funding that was not very successful. Agisanang Consulting undertook to accommodate Tswaing and finalize the Master Plan.

T 3.7.1

Chapter 3

Gravel Road Infrastructure					Kilometres
Total gravel roads	New gravel roads constructed	Gravel roads upgraded to paving	Gravel roads graded/maintained		
Year 0	85km	5km	7.5km	0	T3.7.2

Employees: Tech Admin, Mech workshop, Roads and Stormwater Services						
Job Level	Year -1		Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)	
0 - 3	No.	No.	No.	No.	%	
0 - 3	1	1	0	1	100%	
4 - 6	5	5	2	0	0%	
7 - 9	8	11	0	4	36%	
10 - 12	4	6	0	2	33%	
13 - 15	14	13	0	-2	-15%	
16 - 18						
19 - 20						
Total	32	36	2	5	14%	

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.

*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T3.7.7

Chapter 3

Financial Performance Year 0: Road and Storm Water Services					
R'000					
Details	Year - 1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	21447	31221	31221	40912	24%
Expenditure:					
Employees		4532	4532	3610	-26%
Repairs and Maintenance	2416	204	204	117	-74%
Other	10115	1011	1011	61159960	100%
Total Operational Expenditure	12531	5747	5747	61163687	100%
Net Operational Expenditure	-8916	-25474	-25474	61122775	100%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					
T 3.7.8					

Capital Expenditure Year 0: Road and Storm Water Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	29730	29730	39730	25%	
Project A	0	0	0	0%	39270
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					
T 3.7.9					

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

The roads in the urban areas that are the function of Tswaing LM is not serviced, operated or maintained as it should be, leaving a lot of potholes creating unsafe public roads for the road users. Tswaing does not have personnel appointed in the Roads and Storm water section responsible for maintaining road Infrastructure. Funding, material tools, equipment etc. are not available to intervene in the maintenance of roads and storm water.

Within the MIG grants 5.7 km of roads were constructed, but quality and completion of projects remains a challenge.

T 3.7.10

Chapter 3

3.8 TRANSPORT (Including Vehicle Licensing)

INTRODUCTION TO TRANSPORT

Public transport is receiving good attention in the urban area, but in the rural small towns very little in Public Transport is done or funded. A funding model needs to be developed to fund Public Transport.

Transport subsidies/Grants are channelled to higher populated areas. Public scheduled transport services were looked at that would include Taxi's but seems not to get the buy-in from the private sector. Much more attention should be given to public transport that makes a huge impact on economic activity as a whole.

Public transport entails motorized- (vehicles, busses, rail, air) and non-motorized (bicycles, pedestrian pathways, animal drawn transport) forms and should cover all sections on development. All the public transport facilities are not developed.

T 3.8.1

Chapter 3

3.9 WASTE WATER (Storm water drainage)

INTRODUCTION TO STORM WATER DRAINAGE

Storm water drainage is under-developed in Tswaing LM. Storm water is very costly and normally only 1:5 year return periods are covered in design in rural towns. Delareyville town shall have flooding problems in the southern side of town in the case of a 1:50 year return period flood condition because the pan situated on the southern side does not have an outlet for storm water downstream.

Delareyville has grown from 450 developed stands to 5200 with an intended 750 additional stands in the near future.

Maintenance on existing structure is in backlog and need intervention. In rural areas there are no storm water drainage except for Provincial and District road drainage culverts. In Khunwana culverts were installed enabling scholars to attend school in the rainy season. Installation of culverts in Mofufutso was also completed.

T 3.9.1

Financial Performance Year 0: Stormwater Services (Incl in Roads)					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	188	0	0	0	0%
Repairs and Maintenance	12	0	0	0	0%
Other	40	0	0	0	0%
Total Operational Expenditure	240	0	0	0	0%
Net Operational Expenditure	240	0	0	0	0%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.9.7

Chapter 3

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: Planning; and Local Economic Development.

INTRODUCTION TO PLANNING AND DEVELOPMENT

Local Economic Development is a collective process of stakeholders which includes Communities, Businesses and Government working together to enhance economic development with the objective of creating employment, poverty alleviation and equality.

All the stakeholders must form partnership for economic growth which composes of agriculture, tourism and small-scale manufacturing.

CHALLENGES

A lack of coordinated planning by economic sectors in our municipality, defeat our objective of striving to improve our economic development.

Lack of tailored local economic development strategy which provides guidance in the attainment of local economic development is a serious challenge.

Our biggest challenge is lack of marketing our municipality with a sole intention to attract investors by showing opportunities for investment in our municipality.

T 3.10

Chapter 3

3.10 PLANNING

INTRODUCTION TO PLANNING

Tswaing Local Municipality has a Spatial Development Framework (SDF) which was adopted in 2011 including Land-use Management Scheme.

These two (2) documents are due for review.

Spatial Planning and Land-use Management (SPLUMA) is a new Act which came into effect from 2014.

T 3.10.1

Chapter 3

3.11 LOCAL ECONOMIC DEVELOPMENT (Including Tourism and Market Places)

INTRODUCTION TO ECONOMIC DEVELOPMENT

A lack of coordinated planning by economic actors in our municipality defeats our objective of striving to improve our economic development.

Lack of tailored local economic development strategy which provides guidance in the attainment of local economic development is a serious challenge.

Our biggest challenge is lack of marketing our municipality with a sole intention to attract investors by showing opportunities for investment in our municipality.

T 3.11.1

Economic Activity by Sector			
			R '000
Sector	Year -2	Year -1	Year 0
Agric, forestry and fishing	2	1.5	1.5
Mining and quarrying	6	5	2
Manufacturing	56	58	63
Wholesale and retail trade	45	51	52
Finance, property, etc.	51	48	52
Govt, community and social services	23	25	25
Infrastructure services	34	38	41
Total	217	226.5	236.5

T 3.11.2

Economic Employment by Sector			
			Jobs
Sector	Year 1 No.	Year -1 No.	Year 0 No.
Agric, forestry and fishing	20,000	25,000	30,000
Mining and quarrying	400,000	435,000	372,000
Manufacturing	320,000	300,000	270,000
Wholesale and retail trade	190,000	200,000	210,000
Finance, property, etc.	275,000	255,000	235,000
Govt, community and social services	300,000	310,000	320,000
Infrastructure services	400,000	430,000	450,000
Total	1905000	1955000	1887000

T 3.11.3

Chapter 3

Jobs Created during Year 0 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created/lost
Total (all initiatives)				
Year -2				
Year -1				
Year 0				
Initiative A (Year 0)				
Initiative B (Year 0)				
Initiative C (Year 0)				
				T 3.11.5

Chapter 3

Local Economic Development Policy Objectives Taken From IDP						
Service Objectives	Outline Service Targets	Year -1		Year 0		
		Target	Actual	Target	Actual	Actual
Service Indicators (i)	(ii)	*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)
To promote and support Local Economic Development and Agriculture	Number of jobs created through supported cooperatives	60 jobs opportunities created through cooperatives	Not achieved	50 jobs created	50 jobs created	Achieved
To promote and support Local Economic Development and Agriculture	LED strategy review	LED strategy review	Not achieved	1 strategy review	1 strategy review	Not achieved
To promote and support Local Economic Development and Agriculture	Number of work opportunities created through expanded public works programme	100 work opportunities created through expanded public works programme	Achieved	78 jobs created through EPWP	100 jobs created through EPWP	Achieved
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. *'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.						

Chapter 3

Employees: Local Economic Development Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	0	0	100%
Total	1	1	0	0	100%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.11.8

Chapter 3

COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

LIBRARY

The library services are the responsibility of the provincial department. The department provide funding for the employees and functioning of the libraries.

SOCIAL FACILITIES AND AMENITIES

The provision of facilities is shared between the municipality, Department of Education and Sports and the Department of Culture, Arts Traditional Affairs e.g. library, sports fields.

T 3.52

3.12 Libraries; Archives; Museums; Galleries and Community Facilities.

INTRODUCTION TO LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

There are 7 libraries.

The municipality has no archives, museums and galleries.

Community facilities under our municipality are namely, community halls, tennis courts and swimming pools.

T3.12.1

Chapter 3

Libraries: Community Facilities; Other Policy Objectives Taken From IDP							
Service Objectives	Outline Service Targets	Year -1		Year 0		Actual	
		Target	Actual	Target	Actual		
Service Indicators		*Previous Year	(iv)	*Previous Year	(vi)		(vii)
(i)	(ii)	(iii)		(v)			
Service Objective 010							
Number of community halls constructed		3	1		0		0
Number of youth centres constructed		0	0		0		0
Number of community parks developed		1	0		0		0

Note: This statement should include not more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *Current Year' refers to the targets set in the Year 0 Budget/IDP round. *'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.

Chapter 3

Financial Performance Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
R'000					
Details	Year - 1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	1619	1716	1716	40355	96%
Expenditure:					
Employees	1122	1588	1588	1323	-20%
Repairs and Maintenance	0	1094	1094	774	-41%
Other	0	518	518	1595	68%
Total Operational Expenditure	1122	3200	3200	3692	13%
Net Operational Expenditure	-497	1484	1484	-36663	104%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.12.5					

Capital Expenditure Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
Project A	0	0	0	0%	0
Project B	0	0	0	0%	0
Project C	0	0	0	0%	0
Project D	0	0	0	0%	0
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					
T 3.12.6					

COMMENT ON THE PERFORMANCE OF LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES AND COMMUNITY FACILITIES OVERALL:

There are two tennis courts and swimming pools that are dilapidated. There are seven community libraries and two are currently closed. The Ganalaagte library was torched during community protests and the Atamelang library is under renovations

T 3.12.7

Chapter 3

3.13 CEMETORIES AND CREMATORIALS

INTRODUCTION TO CEMETORIES & CREMATORIALS

The municipality is providing and maintaining cemeteries in towns and townships. The rural community maintain their own cemeteries. There are no crematoriums services

Financial Performance Year 0: Cemeteries and Crematoriums					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	201	239	239	153	-56%
Expenditure:					
Employees	1475	1844	1844	1552	-19%
Repairs and Maintenance	0	21	21	0	0%
Other	2	0	0	0	0%
Total Operational Expenditure	1477	1865	1865	1552	-20%
Net Operational Expenditure	1276	1626	1626	1399	-16%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					
T 3.13.5					

Capital Expenditure Year 0: Cemeteries and Crematoriums					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
Project A	0	0	0	0%	0
Project B	0	0	0	0%	0
Project C	0	0	0	0%	0
Project D	0	0	0	0%	0
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					
T 3.13.6					

Chapter 3

3.14 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

INTRODUCTION TO CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

The municipality does not provide services, The Department of Social Development, Department of Health and South African Social Services Agency (SASSA are the ones providing these services). Municipality act as a support.

T 3.14.1

Chapter 3

COMPONENT G: SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

INTRODUCTION TO SECURITY & SAFETY

The component includes traffic management.

Law Enforcement main functions are:-

Regulate traffic during unrest, accidents and other events.

Speed enforcement.

Attend to law enforcement.

T 3.20

Chapter 3

COMPONENT H: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

INTRODUCTION TO SPORT AND RECREATION

Community parks are not adequately maintained. Sports fields, stadiums and swimming pools are dilapidated. There are no camp sites.

T 3.23

Chapter 3

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

INTRODUCTION TO CORPORATE POLICY OFFICES

The core functions of the unit are as follows:

- Provide human resource management and development
- Provide information and communications technology support service
- Render organizational efficiency services.
- Render Customer services, records management and Council administration support.
- Provide legal support.

T 3.24

3.22 EXECUTIVE AND COUNCIL

This component includes: Executive Office (Mayor; Councilors; Municipal Manager and Corporate Admin).

INTRODUCTION TO EXECUTIVE AND COUNCIL

The core functions of the unit are as follows;

Provide democratic and accountable governance

To facilitate corporate governance and public participation

To provide political leadership and strategic direction to Council

T 3.24.1

Chapter 3

The Executive and Council Policy Objectives Taken From IDP							
Service Objectives	Service Indicators (i)	Outline Service Targets (ii)	Year -1		Year 0		Actual
			Target *Previous Year (iii)	Actual (iv)	Target *Current Year (vi)	Actual (vii)	
Service Objective 013							
Improve IDP support and coordination		Number of resolution register developed	1	achieved	1	achieved	achieved
Improve IDP support and coordination		Number of reports on implementation of council resolutions	1	Achieved	1	achieved	achieved
Improve IDP support and coordination		Number of Imbizo, held	1	Not achieved	2	Not achieved	Not achieved
Improve IDP support and coordination		Number of annual report adopted	2015/16	Achieved	2016/17	Achieved	Achieved
Improve IDP support and coordination		Number of anticorruption campaigns implemented	2	Not achieved	2	Not achieved	Not achieved

Chapter 3

Employees: The Executive and Council					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	2	3	0	0%
4 - 6	1	1	1	0	0%
7 - 9	3	3	3	0	0%
10 - 12	1	1	1	0	0%
13 - 15	0	0	0	0	
16 - 18					
19 - 20					
Total	8	7	8	0	0%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.24.4

Financial Performance Year 0: The Executive and Council					
					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	75726	92403	92403	92403	0%
Expenditure:					
Employees	13083	10062	10062	10674	6%
Repairs and Maintenance	13	71	71	130	45%
Other	10047	10446	10446	10598	1%
Total Operational Expenditure	23143	20579	20579	21402	4%
Net Operational Expenditure	-52583	-71824	-71824	-71001	-1%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.24.5

Chapter 3

3.23 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

The core functions of the financial services:

To manage expenditure, supply chain management and budget planning processes

To manage and facilitate budget planning process

To administer municipal payroll system

To administer trade, sundry creditors' payments and reconciliation services

T 3.25.1

Debt Recovery							
							R' 000
Details of the types of account raised and recovered	Year -1		Year 0			Year 1	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	19023	25%	23135	1733	1%		
Electricity - B	4398	44%	32129	31595	98%		
Electricity - C	14573	74%					
Water - B	3112	17%					
Water - C	3848	15%	17373	6354	36%		
Sanitation	8718	12%	25675	10001	38%		
Refuse	8936	17%	28353	9867	34%		
Other	20762	5%	6117	1372	22%		
B- Basic; C= Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them.							

T 3.25.2

Chapter 3

Financial Performance Year 0: Financial Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	21381	17627	29374	29480	40%
Expenditure:					
Employees	8394	11491	11491	11568	1%
Repairs and Maintenance	0	0	0	0	0%
Other	33930	8396	8396	175031	95%
Total Operational Expenditure	42324	19887	19887	186599	89%
Net Operational Expenditure	20943	2260	-9487	157119	99%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					
T 3.25.5					

Capital Expenditure Year 0: Financial Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
No Capital Projects	0	0	0		

T 3.26.1

Chapter 3

3.24 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

Section: Human Resource Management:

This Directorate provides human resource management support to the Department. The core functions of this Directorate are as follows: • Provide human resource planning, recruitment and selection support services • Provide labour relations service • Provide a human capital utilisation service • Manage partnerships and service level agreements • Provide legal support.

Division: Planning, Recruitment and Selection: This sub-directorate provides human resource planning, recruitment and selection support services to the Department. The core functions of this sub-directorate are as follows: • Develop and monitor policies, guidelines and strategies • Manage recruitment and selection processes.

Chapter 3

Human Resource Services Policy Objectives Taken From IDP						
Service Objectives	Service Indicators	Outline Service Targets	Year 0			
			Target		Actual	
			*Previous Year	*Current Year		
(i)	(ii)	(v)	(vi)	(vii)		
Service Objective 015						
Promote accountable, efficient and transparent administration	% of litigation for & against council attended to, as per legal report by June 2018			Resolve all cases against council relating to 2016/17		Not achieved
Promote accountable, efficient and transparent administration	Employee satisfaction survey workshops conducted by end June 2018			Four reports submitted by June 2018		Not achieved

Chapter 3

Employees: Human Resource Services			
Job Level	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	%
0 - 3	0	1	#REF!
4 - 6	2	2	#REF!
7 - 9	2	2	#REF!
10 - 12	0	0	
13 - 15	0	0	
16 - 18	0	0	
19 - 20	0	0	
Total	4	5	#REF!

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T3.26.4

Financial Performance Year 0: Human Resource Services					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue		0	0	0	0%
Expenditure:					
Employees	9166	2110	2110	1810	-17%
Repairs and Maintenance	724				0%
Other	8569	225	225	37	-508%
Total Operational Expenditure	18459	2335	2335	1847	0%
Net Operational Expenditure	-18459	-2335	-2335	-1847	0%

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.26.5

Chapter 3

Financial Performance Year 0: Property; Legal; Risk Management and Procurement Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	0	9485	8485	11534	18%
Repairs and Maintenance	0	1451	1451	1173	-24%
Other	0	3182	3182	3018	-5%
Total Operational Expenditure	0	14118	13118	15725	10%
Net Operational Expenditure	0	14118	13118	15725	10%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T 3.28.5

Chapter 4

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

Departmental SDBIP Report of Overall Performance per Directorate for the Period Ending 30 June 2018

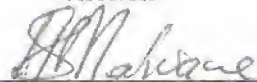
FOREWORD BY THE MAYOR

The Service Delivery and Budget Implementation Plan (SDBIP) is based on the municipalities approved 4th Generation Integrated Development Plan (IDP) for 2017/18 as approved by Council on 31 May 2017.

The IDP is used by the municipality as a guideline in the administration, development, and the allocation of budget resources in direct relation to the needs determined by its residents. As in any growing municipality where an array of socio-economic factors and other issues impact on the availability of income, the key to effective IDP implementation lies with responsible management and balancing of available resources.

The IDP defines the strategic objectives and priorities for the SDBIP and informs the development of performance indicators. The approved strategic objectives for the five-year municipal IDP are:

- ❖ To promote access for all citizens to equitable, appropriate and sustainable infrastructure and services within a safe environment;
- ❖ To ensure Municipal Transformation and Infrastructure Development
- ❖ To create an enabling environment for economic growth that attracts investors, encourages innovation and facilitate pro-poor interventions (Local Economic Development)
- ❖ To facilitate real opportunities for youth, women, and disabled and appropriate care for the aged;
- ❖ To ensure a municipality that is committed to an innovative approach, prudent investment of public funds, good governance, financial viability and optimal institutional transformation that accommodates diversity in service delivery;
- ❖ To develop progressive strategies to optimise the use of available human resources



Councillor L.D. Malwane
Mayor

Chapter 4

PART 1: ANNUAL PERFORMANCE

1.1 Introduction

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and better medium-term planning and policy choices on service delivery.

as been prepared in terms of the following legislative framework:

- The Municipal Finance Management Act – No. 56 of 2003, Section 72, and The Municipal Budget and Reporting Regulations, 35.

The MBRR highlights the format of the mid-year budget and performance assessment. Section 33 states that: - *A mid-year budget and performance assessment of a municipality referred to in section 72 of the Act must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.*"

The objective of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process and other relevant matters as required by the Act.

1.2 – Legislative framework

In terms of section 72 (1) of the MFMA, the accounting officer of a municipality must by 25 January of each year assess the performance of the municipality during the first half of the financial year.

Take note that the Section 52, Quarterly Budget Monitoring Report will be incorporated in this report. The requirements of section 52(d) will be met in this Mid – year Budget and Assessment Report.

1.3 – Executive summary

This report is a summary of the main budget issues arising from the monitoring process. It compares the progress of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP).

The following categories provide a consolidated overview of the implementation of the budget of the municipality.

Chapter 4

Departmental SDBIP Report of Overall Performance Per Directorate For The Period Ending 30 June 2018

BASIC SERVICE DELIVERY COMMUNITY SERVICES							
Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under/Over-Performance	Corrective Measures	Portfolio of Evidence
Facilitate the provision of community infrastructure	Number of cemeteries developed	Cemeteries not developed.	4 cemetery development by end of June 2018	Not Achieved	Financial Constraints and inadequate resources, i.e. available land/funding for land assessment	Improvement of cashflow	None
	Number of community cemeteries maintained	4 community cemeteries maintained	4 community cemeteries maintained by June 2018	Not Achieved	Inadequate resources	Utilization of EPWP Participants	None
Municipal Gardens	Number of municipal gardens maintained	4 municipal gardens maintained	4 Municipal Gardens maintained by June 2018	Achieved	None	None	Pictures
Promote greening and environmental sustainability	Number of trees to be planted	No trees planted	50 Trees Planted by June 2018	Not Achieved	Cash flow problems and personnel	Improve cashflow	None
	Number of environmental campaigns implemented	1 environmental campaign implemented	4 environmental campaigns implemented by June 2018	Not Achieved	Inadequate resources	Appointment of personnel	None

Chapter 4

Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under/Over-Performance	Corrective Measures	Portfolio of Evidence
Parks	Number of community parks maintained.	Parks not maintained	4 Parks to be maintained by end June 2018	Not Achieved	Lack of Machinery and Inadequate Personnel	Utilization of EPWP and CWP Participants	None
Public Safety	Number of Identified faded road markings and signs painted and replaced	10 Faded road markings and signs painted and replaced	90 faded road markings and signs by June 2018	Achieved	None	None	Pictures
Road Traffic Act	% of motor vehicle licence renewed	100% Compliance	100% Compliance with road traffic management cooperation (RTMC) June 2018	Achieved	None	None	Report
Waste Management	Number of households to be provided with refuse removal services	3153 households are using other rubbish disposal	3153 households with access to refuse removal by June 2018	Not Achieved	Frequent breakdown of refuse removal trucks and manpower	Purchase of new trucks and appointment of additional personnel	None
	Number of households with access to solid waste	10159 household with access to solid waste	10159 household with access to solid waste by June 2018	Achieved	None	None	Reports

Chapter 4

Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under\Over-Performance	Corrective Measures	Portfolio of Evidence
Town Planning	Number of Approved land development applications	None	18 approved land development application by June 2018	Not Achieved	Municipal Planning Tribunal appointed	Municipal Planning Tribunal already appointed to deal with outstanding application.	Council resolution
Human Settlement	Number of hectares of Municipal Land released for human settlements development	2 Hectares of municipal land released for human settlements development during 2016/17	8 Hectares of municipal land released for human settlements by June 2018	Not Achieved	Allocations made to rural villages	Next financial year allocations will cover urban	None
	Number of Informal Settlements Formalised	2 Informal Settlements Formalised	3 Informal settlement to be finalised by June 2018	Achieved Letsopa Ext 7 and Delareyville Ext 8	None	None	Reports

Chapter 4

BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT: TECHNICAL SERVICES							
Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under/Over Performance	Corrective Measures	Portfolio of Evidence
Project Management Unit	Number of KM of roads and storm water to be constructed	5.2 KM of internal roads	1.5 KM of internal roads and storm water upgraded from gravel to segmented paving block in Gaanalaagte by June 2018	Not Achieved 92% complete	Project started late due to court interdict	Extension of time is approved	Progress Report
			1.0 KM of internal roads and storm water upgraded from gravel to segmented paving block in Geysdorp by June 2018	Achieved 100% complete	None	None	Progress Report
			2.3 KM of internal roads and storm water upgraded from gravel to segmented paving block in Agisanang by June 2018	Achieved 98% complete	None	None	Progress Report
			1.3 KM of internal roads and storm water upgraded from gravel to segmented paving block in Delareyville by June 2018	Not Achieved 98% complete	Community disruptions	Extension of time approved	Progress Report

Chapter 4

Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under/Over-Performance	Corrective Measures	Portfolio of Evidence
Project Management Unit	Number of KM of roads and storm water to be constructed	5.2 KM of internal roads	1.5 KM of internal roads and storm water upgraded from gravel to segmented paving block in Vrischewaagte by June 2018	Not Achieved 85% complete	Delay on payment, Poor Performance and community disruptions	Extension of time approved and penalties to be applied	Progress report
Water	% of water network & pumps maintained	50% of water infrastructure maintained	50% of water infrastructure maintained by June 2018	Achieved	None	None	Report
	Number of households connected to water network as per received application	None	30 Household connected to water network as per received application by June 2018	Achieved	None	None	Receipts and application forms
Sewer Network	Number of Households connected to sewer network as per received application	None	30 households to be connected to sewer network by June 2018	Achieved	None	None	Report

Chapter 4

Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under/Over-Performance	Corrective Measures	Portfolio of Evidence
Sewer Network	% of waste water network and treatment plants maintained	100% maintained waste water network and treatment plant	100% maintained waste water network and treatment plants by June 2018	Achieved	None	None	Report
Electricity	Number of households with electricity connections as per received application	26816 connected to the grid	30 connected to grid by June 2018	Achieved	None	None	Receipts and application forms
	% of maintenance of underground cables and overhead lines network	60% of overhead and underground electrical infrastructure	60% of overhead and underground infrastructure maintained	Achieved	None	None	Departmental Report
Street Lighting	% of regular maintenance of street lights	80% street lights maintained	20% regular maintenance of street lights by June 2018	Achieved	None	None	Report
Enhance maintenance & repairs	% of Maintained & repaired number of vehicles	20% of vehicles to be maintained	40% of vehicles maintained by June 2018	Achieved	None	None	Report
Roads and maintenance	The number of roads to be maintained	10KM of road maintained	10KM of roads to be maintained by end of June 2018	Not Achieved	Delay of supply of materials and lack of equipment's and tools	Engaging the suppliers to speed up the deliveries	None

Chapter 4

MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT							
Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under\Over performance	Corrective Measures	Portfolio of Evidence
Promote accountable, efficient and transparent administration	% Completed Organisational Structure	Adopted structure 2007	100% Completed Organisational structure by April 2018	Achieved	None	None	Adopted structure with council resolution
	% of Job descriptions completed	None	100% Job description completed by December 2017	Not achieved	Structure not yet implemented	Acting and secondments	None
	Number of workshops on council policies	1 workshop	4 Workshops on council policies by June 2018	Achieved	None	None	Minutes and letter to municipal manager
	Number of policies Reviewed	32 Policies Reviewed	16 council policies reviewed by June 2018	Not achieved 6 Policies Reviewed	Inadequate personnel	Post advertised to be finalised	Advert and memos to employee
	Number of workplace skills development plan developed	1 submitted to LGSETA	To have 1 adopted WSP by June 2018	Achieved	None	None	WSP Report

Chapter 4

Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under/Over-Performance	Corrective Measures	Portfolio of Evidence
	Number of employment equity Plan developed	1 Employment equity Plan	Employment equity plan submitted by June 2018	Achieved	None	None	Employment equity Report
	Number of Learnership conducted	1 waste water & Sanitation	3 learnerships by June 2018	Achieved	None	None	Report
	Number of community Skills Development Implemented	Work skills plan developed (WSP)	1 Work Skills Plan by June 2018	Achieved	None	None	WSP Report
	Number of Developed Municipal Corporate Governance of ICT Policy Framework	No ICT policy in Place	To develop one municipal Corporate Governance of ICT Policy Framework for the 2017-2018 Financial Year	Not Achieved	The ICT Steering Committee has not yet been established	The municipal manager to appoint the committee and arrange training for the committee and its officials	None
	Upgrade the network infrastructure of All office and integrate them to the main office	Erratic network infrastructure that is not conducive for effective service delivery	Integrated IT network infrastructure implemented	Not achieved Letter requesting MSIG funding	It was not budgeted for and MSIG funds were also not allocated to the municipality	Request MSIG funding from the national department COGTA	None

Chapter 4

Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under/Over-Performance	Corrective Measures	Portfolio of Evidence
	Implement internal mechanism to ensure that municipal data is preserved	No backup server	Preserve municipal data	Not achieved	ICT was not allocated a budget to procure a back up system	Request MSG funding from the national department COGTA	None
	Number of Automated installations of human resource modules	There is no automated human resource system in place. Installation of HR system is dependent on the operations of internal back-up server	1 automated human resource system	Not Achieved	Budget was not allocated for the installation of the HR Modules	Request for allocation to be made during the financial year	None
	1 software updated	Software updated is not consistent due to financial constraints	1 software updated policy needs to be adopted by council by June 2018	Achieved	None	None	Invoices and license

Chapter 4

Good Governance and Community Participation	Number of Municipal websites regularly updated	Municipal website is operating but not complying with legislative requirements	Municipal website that is regularly updated by June 2018	Achieved	None	None	Updated website
	Number of Newsletters published quarterly	There is a newsletter, but It is not published quarterly as per requisite due to personnel challenges	4 Municipal newsletters published by June 2018	Not Achieved 1 Published newsletter	Budgetary constraints and a lack of communication in impeded the achievement of the target	Communication official to be approved and a budget to be allocated for newsletter publication	None

Chapter 4

FINANCIAL VIABILITY								
Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for under/over performance	Corrective Measures	Portfolio of Evidence	
Enhancement of Revenue Collection	Number of credit control policy reviewed	Credit control policy reviewed	1 Credit control policy reviewed by June 2018	Achieved	None	None	Council resolution	
	Number of indigent policy reviewed	Reviewed indigent policy	1 indigent policy reviewed by June 2018	Achieved	None	None	Council resolution	
	% Reduction of Bad Debts	37% Collection rate	Increase collection rate to 60% by June 2018	Not Achieved	Lack of dedicated personnel	Dedicated personnel should be allocated to credit control policy	None	
	% of Data cleansing conducted	Supplier appointed for assistance	80% Data cleansing conducted by June 2018	Not achieved	Lack of dedicated personnel	Currently the collection rate is at 25% Appointment of dedicated staff to be allocated to consumer queries and correct billing information	None	

Chapter 4

	% of Billing System, Automated	Manual Meter Reading	60% Automated billing system by June 2018	Not achieved		None	None
	% of all rateable properties registered	50% rateable properties registered	80% Rateable properties registered by June 2018	Not achieved	No reports submitted from the housing department. Number of buildings erected or improved	Appointment of town planner. Implementation of the new valuation roll. Appointment of valuation clerk	
	% of auditor general report	40% implementation of PAAP	100% Implementation of PAAP by June 2018	Not achieved 62% implementation	Lack of adequate HR capacity due to organizational not finalized	Finalization of Organizational Structure.	None (Report)
	% of mSCOA compliance financial system	100% compliant with mSCOA	100% Compliant by July 2017	Not achieved Data Migration :100%	1.Outdated financial system 2.inadequate financial resource to address ICT infrastructure	1. Upgrade the financial system to be fully compliant with mSCOA the 2. municipality has requested financial assistance from local government	None (Report)

Chapter 4

GOOD GOVERNANCE AND PUBLIC PARTICIPATION									
Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under/Over-Performance	Corrective Measures	Portfolio of Evidence		
Improve IDP Support and Coordination	Number of internal IDP Review Meetings	2 Internal IDP Meeting Held	4 Internal Meetings to be held by June 2018	Achieved	None	None	Attendance Registers and reports		
	Number of IDP rep Forum meetings	No IDP rep forum held	4 IDP rep forum held by June 2018	Not Achieved 2 Rep Forums Held	Cash flow problems	Cash flow Improvement	None		
	Number of Mid Term Performance assessment report adopted	Mid Term performance assessment report adopted	1 mid-term performance assessment report be adopted by end of January 2018	Achieved	None	None	Mid Term report		
	Number of Annual Report adopted	2015/16 report outstanding	2015/16 and 2016/17 Annual performance report be adopted by end June 2018	Achieved	None	None	Annual Report		
	Number of joint budget and IDP	No joint budget and IDP steering committee meeting held	4 Joint Budget and IDP steering Committee be held by end June 2018	Not Achieved 2 Budget Steering Committee Held	Coordination	Proper coordination	None (Attendance Register)		

Chapter 4

Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under/Over-Performance	Corrective Measures	Portfolio of Evidence
Promote community participation	Number of Report format for ward committees revised	Ward committee reporting format revised	1 ward committee format revised by June 2018	Achieved	None	None	1 Ward Committee Report revised
	% of Resources secured for Ward Committees	No Resources for ward committees (Stationary Offices, Stipend)	100% allocation of ward committee resources by June 2018	Achieved	None	None	Receipt and attendance registers
	Number of communication strategy developed	None	1 communication strategy developed by June 2018	Achieved	None	None	Council resolution and the strategy
	Number of capacity building programmes for ward committees	1 induction for ward committees	2 workshops for ward committees by June 2018	Not achieved 1 workshop	Cash flow	Improvement on cash flow	None
	Number of support initiatives for traditional leaders implemented	1 support for traditional leaders implemented	4 ordinary council sitting by June 2018	Achieved	None	None	Minutes and council Resolution

Chapter 4

Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under\Over-Performance	Corrective Measures	Portfolio of Evidence
Promote accountable, efficient and transparent administration	Number of resolution register developed	Council resolution register developed	1 council resolution developed by June 2018	Achieved	None	None	Council Resolution Register
	Number of reports on implementation of council resolutions	Number of resolution committee established	1 resolution committee established by June 2018	Achieved	None	None	Council Resolution
Improve communication	Number of Imbizo's Held	None	2 Imbizo's Held by June 2018	Not Achieved	Due to community unrests	Addressing the concerns of the community in time	None
	Number of annual report adopted	1 annual report submitted	Annual report for 2016/17 be submitted by august 2017	Not achieved (presented before council)	Outstanding annual reports had to be tabled before 2017	Presented before council on the 28 August 2018	Council resolutions
	Number of anti-corruption campaigns implemented	None	2 Anti-Corruption Campaigns implemented by June 2018	Not Achieved	Due to community unrest	Addressing the concerns of the community in time	None

Chapter 4

LOCAL ECONOMIC DEVELOPMENT AND SPATIAL RATIONAL								
Corporate Objective	Key Performance Indicator	Baseline	Annual Target	Annual Actual Performance	Reasons for Under/Over-Performance	Corrective Measures	Portfolio of Evidence	
Promote and support local economic development and agriculture	Number of jobs created through LED and Capital Projects	None	50 Jobs created through LED and capital projects by June 2018	Achieved 80 job opportunities created	None	None	Register	
	Number of LED and Tourism Strategy Developed	2007 strategy not reviewed	1 LED strategy reviewed by June 2018	Not achieved	Cash flow problems	Budget allocation	None	
	% Of Municipal tourism Profile developed	None	100% development of tourism profile by June 2018	Not achieved	Cashflow problems and lack of personnel	Budget allocation and appointment of personnel	None	
	Number of support initiative for SMMEs and Cooperatives	25 SMMEs Trained	60 SMMEs and cooperatives be trained by June 2018	Achieved 120 SMMEs Trainee	None	None	Attendance register and certificates	
	Number of Expanded Public Works Programme created by the organisation	None	100 work opportunities created by June 2018	Achieved	None	None	Proof of Payment	

Chapter 4

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

INTRODUCTION

The main core functions of the organizational development performance:

To coordinate the implementation of strategic management services

To monitor and evaluate services delivery programmes and internally management systems

To facilitate planning and implementation of integrate development plan

T 4.0.1

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	Employees				
	Year -1	Year 0			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Water	19	25	22	3	12.00%
Waste Water (Sanitation)	21	51	40	11	11.76%
Electricity	10	19	09	10	47.37%
Waste Management	26	34	29	5	0.00%
Housing	9	22	9	13	59.09%
Roads	26	38	34	4	5.26%
Transport	28	46	24	22	28.26%
Community & Social Services	22	36	22	14	38.89%
Sport and Recreation	16	66	16	50	75.76%
Corporate Policy Offices and Other	79	80	71	8	1.25%
Totals	256	417	267	140	26.62%

Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June, as per the approved organogram.

T 4.1.1

Chapter 4

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1	0	1	0	1	1
Chief financial officer	1	0	1	0	1	1
Senior managers	3	0	3	0	3	0
Any other financial officials	0	0	0	0	0	0
Supply Chain Management Officials						
Heads of supply chain management units	0	0	0	0	0	0
Supply chain management senior managers	1	0	1	1	1	1
TOTAL	6	0	6	1	6	3
* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)						T 4.5.2

Chapter 4

Vacancy Rate: Year 0				
Designations	Total Approved Posts No.	Vacancies (Total vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %	
Municipal Manager	1	0	0.00	
CFO	1	1	100.00	
Other S57 Managers (excluding Finance Posts)	3	2	66.67	
Other S57 Managers (Finance posts)	0	0		
Police officers	0	0		
Fire fighters	0	0		
Senior management: Levels 13-15 (excluding Finance Posts)	15	10	66.67	
Senior management: Levels 13-15 (Finance posts)	3	1	33.33	
Highly skilled supervision: levels 9-12 (excluding Finance posts)	18	11	61.11	
Highly skilled supervision: levels 9-12 (Finance posts)	7	7	100.00	
Total	48	32	66.67	
Turn-over Rate				
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*	
Year 0	10	18	100%	
* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year				T 4.1.3

COMMENT ON VACANCIES AND TURNOVER:

Two Section 57 managers were dismissed (one has dispute) and others contracts expired. We are in the process to fill vacancies of two senior manager of technical and community services before end 2017/2018 financial year.

T 4.1.4

Chapter 4

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The municipality has developed and adopted relevant policies that ensure fair, efficient, effective and transparent personnel administration namely:

1. Acting allowance policy
2. Ethics policy
3. Induction policy
4. Recruitment and selection policy
5. Occupational health and safety policy
6. Conflict of interest policy
7. Records management policy
8. Standby allowance policy
9. Overtime policy
10. Cell phone allowance policy
11. Travelling and subsistence allowance policy

T 4.2.0

Chapter 4

4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
	Acting Allowance			1-June-16
	Ethics			1-Nov-16
	Induction			1-Nov-16
	Recruitment, Selection and Appointments			1-Nov-16
	Occupational Health and Safety			1-Nov-16
	Conflict of Interest			1-Nov-16
	Records Management			1-Nov-16
	Standby			1-Nov-16
	Overtime			1-Nov-16
	Succession			1-May-16
	Training and Development			2-May-16
	Employee Wellness			3-May-16
	Code of Conduct			4-May-16
	Performance Management			5-May-16
	Cellphone			1-June-16
	Job Evaluation			7-May-16
Use name of local policies if different from above and at any other HR policies not listed.				T 4.2.1

COMMENT ON WORKFORCE POLICY DEVELOPMENT:

Arrange workshops for employees and councillors.

T 4.2.1.1

Chapter 4

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	60	5	8%	12	60
Temporary total disablement					
Permanent disablement					
Fatal					
Total	60	5	8%	12	60

T 4.3.1

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	302	30%	101	200	1.21	
Skilled (Levels 3-5)	29	5%	28	60	0.13	
Highly skilled production (levels 6-8)	26	1%	4	16	0.08	
Highly skilled supervision (levels 9-12)	39	0%	2	25	0.14	
Senior management (Levels 13-15)	18	0%	4	4	0.06	
Municipal Manager	6	0%	1	1	0.03	
Total	420	6%	140	267	1.65	0

* - Number of employees in post at the beginning of the year

*Average is calculated by taking sick leave in column 2 divided by total employees in column 5

T 4.3.2

COMMENT ON INJURY AND SICK LEAVE:

The majority of employees using the sick leaves are general workers due to the nature of their duties .

T 4.3.4

Chapter 4

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
J GAEDIE	Fraud	11 May 2017	Withdrawn	Dec 2017
I KABIKUNOA	Fraud	11 May 2017	Withdrawn	Dec 2017
J MABOVU	Fraud	11 May 2017	Withdrawn	Dec 2017
K.P KALEBE	Fraud	11 May 2017	Withdrawn	Dec 2017
J VIVIERS	Fraud	11 May 2017	Withdrawn	Dec 2017
M BUYS	Fraud	11 May 2017	Withdrawn	Dec 2017

Chapter 4

4.4 PERFORMANCE REWARDS

COMMENT ON PERFORMANCE REWARDS:

There were no performance assessments done for Section 56/57 employees.

T 4.4.1.1

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

Note: MSA 2000 section 68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

The municipality has developed a Workplace Skills Plan (WSP), which is aligned to job descriptions and the Personnel Development Plan (PDP).

T 4.5.0

Chapter 4

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 0	Number of skilled employees required and actual as at 30 June Year 0											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target
		No.												Year 0 Target
MM and s57	Female												1	1
	Male												2	2
Councillors, senior officials and managers	Female												6	6
	Male	2							2			2	5	2
Technicians and associate professionals*	Female													
Professionals	Female													
	Male													
Sub total	Female												8	8
	Male												7	7
Total		2		0	0	0	0	0	0	2		2	15	15
*Registered with professional Associate Body e.g. CA (SA)														
T4.5.1														

Chapter 4

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 14(4)(f)	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1	0	1	0	1	1
Chief financial officer	1	0	1	0	1	1
Senior managers	3	0	3	0	3	0
Any other financial officials	0	0	0	0	0	0
Supply Chain Management Officials						
Heads of supply chain management units	0	0	0	0	0	0
Supply chain management senior managers	1	0	1	1	1	1
TOTAL	6	0	6	1	6	3
* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)						
						T 4.5.2

COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

The municipality enrolled councillors for CPMD at Wits Business School

T 4.5.4

Chapter 5

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

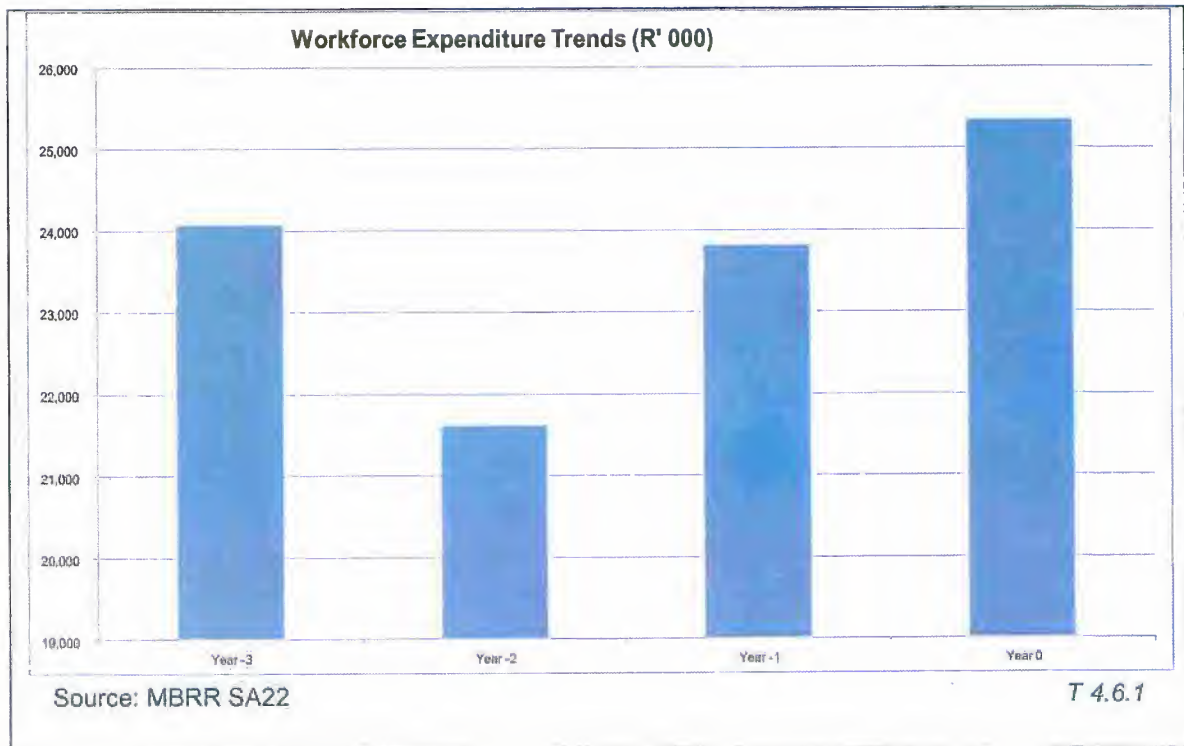
The municipality introduced the clock sheets which every official register every morning.

This will indicate which official reported on time, and who didn't. For those who did not report for duty for a certain day, the no work no pay rule will apply.

T 4.6.0

Chapter 5

4.6 EMPLOYEE EXPENDITURE



Chapter 5

CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

The following budget principles and guidelines directly informed the compilation of the 16/17 MTREF:

- The 2017/18 adjustment budget priorities and targets, as well as the MFMA circulars.
- Tariff and property rates increase should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality. In addition, tariffs need to remain or move towards being cost reflective and should consider the need to address infrastructure backlogs.
- Increase of staff demands and Eskom approved tariff increase.
- The total Tswaing LM budget of R 222 622 532.00 is made up of grants and internal sources. The grant is 57% of the total budget. The municipality generates its own internal income from electricity, water, sanitation solid waste and traffic fines. The budget is spent on the operational and capital expenditure. The largest expenditure from the operating budget emanates from salary costs at which is 48 % of the total operating budget.

Challenges

1. Employee related costs amount to R87 million which carries 94% of the Equitable Share of R92 million and 48% of the total operating budget (norm as per guideline is 40% maximum)
2. Unfunded budget
3. Repairs and Maintenance is not sufficiently provided for, it only holds 1% of PPE and 4% of operating expenditure budget.

mSCOA Compliance

Tswaing Local Municipality is transacting on mSCOA version 6.1 as required by National Treasury for the 2017/18 financial year. All data strings for 2017/18 were successfully submitted. The core system is not yet transacting seamlessly. The municipality is in the process of upgrading the financial system to be able to transact seamlessly

T.5.0.1

Chapter 5

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

Section 126(1) of the Municipal Management Act No.56 of 2003 requires that the Accounting officer of a Municipality:

Must prepare the annual financial statement of the municipality and, within two months after the financial year end, submit the statements to the Auditor General for auditing. Tswaing Local Municipality appointed consultants to prepare Annual Financial Statements as there is no sufficient capacity in house. These statements have been submitted in compliance with legislative timeframes. Tswaing LM obtained Qualified Audit Opinion.

Chapter 5

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Reconciliation of Table A1 Budget Summary

Description	Year 0											
R thousands	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
	1	2	3	4	5	6	7	8	9	10	11	
Financial Performance												
Property rates	14 949	12 080	27 029			27 029	23 135					
Service charges	63 522	-	63 522			63 522	57 819		(3 894)	86%	155%	
Investment revenue	107	-	107			107	255		(5 703)	91%	91%	
Transfers recognised - operational	97 640	-	97 640			97 640	101 607		148	239%	239%	
Other own revenue	48 201	-	48 201			48 201	4 010		3 967	104%		
Total Revenue (excluding capital transfers and contributions)	132 612	(1 922)	130 690			130 690	128 593		(44 190)	8%	8%	
Employee costs	77 127	-	77 127			77 127	76 873		(49 672)	98%	97%	
Remuneration of councillors	10 063	-	10 063			10 063	11 290					
Debt impairment	5 422		5 422			5 422	55 369		(254)	100%	100%	
Depreciation & asset impairment	12 618	-	12 618			12 618	27 426		1 227	112%	112%	
Finance charges		6 540	6 540			6 540	431		49 947	1021%	1021%	
Materials and bulk purchases	52 179	-	52 179			52 179	44 159		14 808	217%		
Transfers and grants	-	-	-			-	-		(6 109)			
Other expenditure	23 404	-	23 404			23 404	99 369		(8 020)	85%	85%	
Total Expenditure	129 958	732	130 690			130 690	117 212					
									75 965	425%	425%	
									127 564	90%	90%	

Chapter 5

Surplus/(Deficit)	2 654	(2 654)	(0)	11 381	11 381				
Transfers recognised - capital	29 730	10 000	39 730	39 730	-			100%	429%
Contributions recognised - capital & contributed assets	-	1 540	1 540	(30 802)	(32 342)			-2000%	#DIV/0!
Surplus/(Deficit) after capital transfers & contributions	2 654	(2 654)	(0)	26 369	(20 961)				994%
Share of surplus/ (deficit) of associate			-						
Surplus/(Deficit) for the year	2 654	(2 654)	(0)	26 369	(20 961)				994%
Capital expenditure & funds sources									
Capital expenditure									
Transfers recognised - capital	29 730	10 000	39 730	39 730	-			100%	134%
Public contributions & donations			-	-	-				
Borrowing			-	-	-				
Internally generated funds			-	-	-				
Total sources of capital funds	29 730	-	29 730	44 851	-			75%	151%
Cash flows									
Net cash from (used) operating	53 485	-	53 485	21 468	(32 018)			40%	40%
Net cash from (used) investing	(68 124)	-	(68 124)	(30 802)	37 322			45%	45%
Net cash from (used) financing	25	-	25	(8)	(33)			-30%	-30%
Cash/cash equivalents at the year end	(43 075)	-	(43 024)	(6 933)	5 272			16%	16%

Chapter 5

Financial Performance of Operational Services								R '000
Description	Year -1		Year 0			Year 0 Variance		
	Actual		Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget	
Operating Cost								
Water	11 663		9 300	10 800	12 914	27.98%	16.36%	
Waste Water (Sanitation)	3 834		4 698	4 698	4 241	-10.77%	-10.77%	
Electricity	41 494		45 176	45 176	40 404	-11.81%	-11.81%	
Waste Management	6 187		6 585	6 585	6 832	3.62%	3.62%	
Housing	2 750		3 557	3 557	3 976	10.54%	10.54%	
Component A: sub-total	65 929		69 317	70 817	68 367	-1.39%	-3.58%	
Roads and Stormwater	22 320		13 527	13 527	25 876	47.72%	47.72%	
Component B: sub-total	22 320		69 464	73 721	25 876	-168.45%	-184.90%	
Community & Social Services	4 057		6 846	6 846	11 839	42.17%	42.17%	
Environmental Protection								
Health								
Security and Safety	12 234		9 694	9 694	13 586	28.65%	28.65%	
Sport and Recreation	2 436		2 749	2 749	4 720	41.76%	41.76%	
Corporate Policy Offices and Other	146 100		234 432	234 432	237 097	1.12%	1.12%	
Component C: sub-total	164 827		253 721	253 721	267 242	5.06%	5.06%	
Total Expenditure	253 076		392 502	398 258	361 485	-8.58%	-10.17%	
In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.								
								T 5.1.2

Chapter 5

5.2 GRANTS

Grant Performance						
R' 000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:	79 066	95 930	95 930	95 930	100.00%	100.00%
Equitable share	75 726	92 403	92 403	92 403	100.00%	100.00%
Municipal Systems Improvement	–	–	–	–	0.00%	0.00%
Department of Water Affairs						
Levy replacement						
Finance Management & EPWP	3 340	3 527	3 527	3 527	100.00%	100.00%
Provincial Government:	1 660	1 710	1 710	1 677		
Health subsidy						
Housing						
Ambulance subsidy						
Sports and Recreation	1 660	1 710	1 710	1 677	98.07%	98.07%
Finance Management & EPWP						
District Municipality:	–	–	–	–		
Basic services	–					
Other grant providers:	–	–	–	–		
LG Seta	–					
Other grant providers:	–					
Total Operating Transfers and Grants	80 726	97 640	97 640	97 607	99.97%	99.97%

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.

T 5.2.1

Chapter 5

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

A proxy of asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in the existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue. Within the framework, the need for asset renewal must be considered and capital programme must be determined based on renewal of current assets versus new assets construction.

T 5.3.1

COMMENT ON ASSET MANAGEMENT:

The municipality total capital expenditure for the year under review amounts to R 39 730 000.00 and will be funded from national grants. The total capital budget is allocated to new assets, which is roads only. The Municipality must consider adhering to the guideline which states that at least 40% of the capital budget must be allocated to renewal and upgrading of existing assets.

T 5.3.3

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

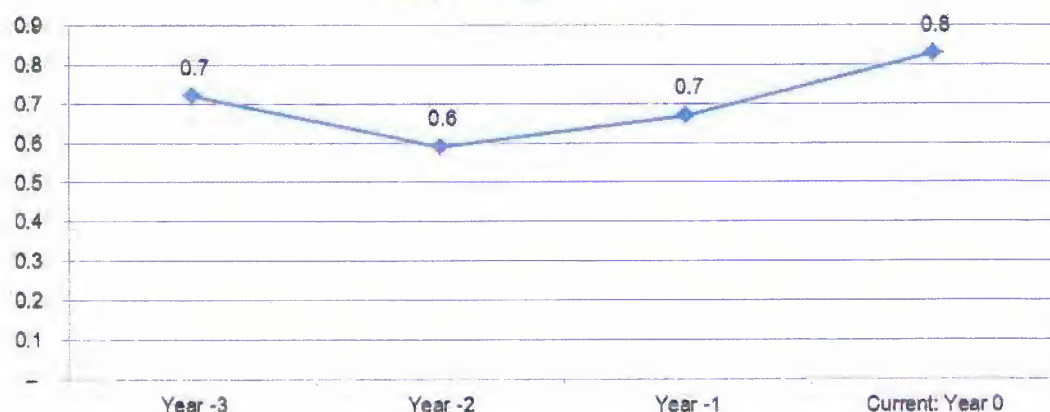
Repairs and Maintenance is not sufficiently provided for, it holds 1% of PPE and 4% of the operating expenditure budget, whereas the norm is 8%.

T 5.3.4.1

Chapter 5

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Liquidity Ratio



Liquidity Ratio – Measures the municipality's ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality's current liabilities. A higher ratio is better.

Data used from MBRR SA8

T 5.4.1

Cost Coverage



Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

T 5.4.2

Chapter 5

Total Outstanding Service Debtors



Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

T 5.4.3

Debt Coverage



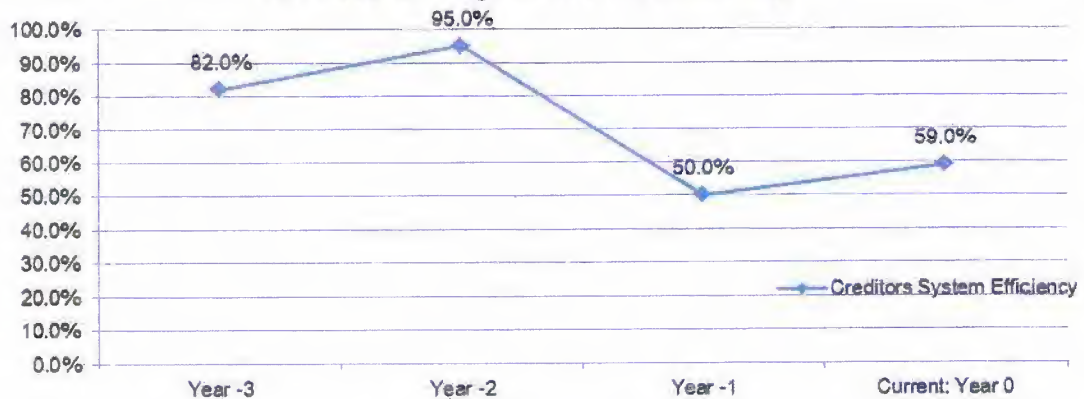
Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accommodated by the municipality.

Data used from MBRR SA8

T 5.4.4

Chapter 5

Creditors System Efficiency

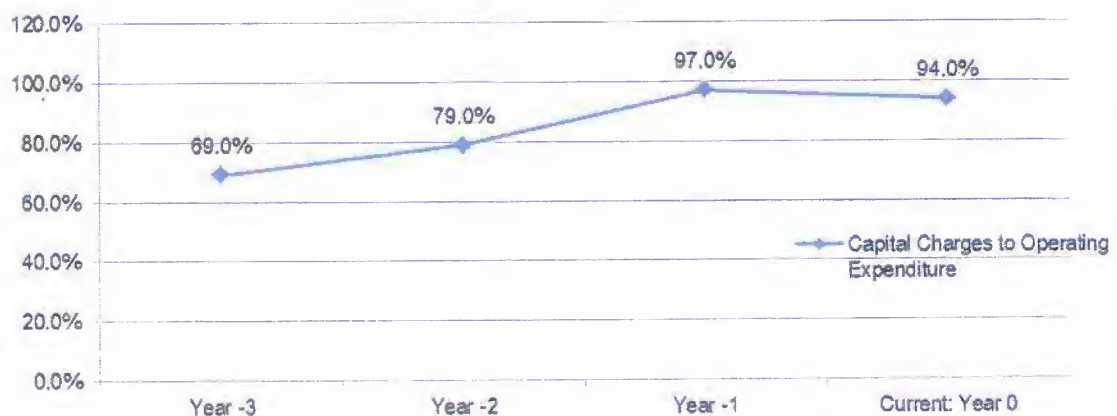


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

T 5.4.5

Capital Charges to Operating Expenditure



Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

T 5.4.6

Chapter 5

Employee Costs

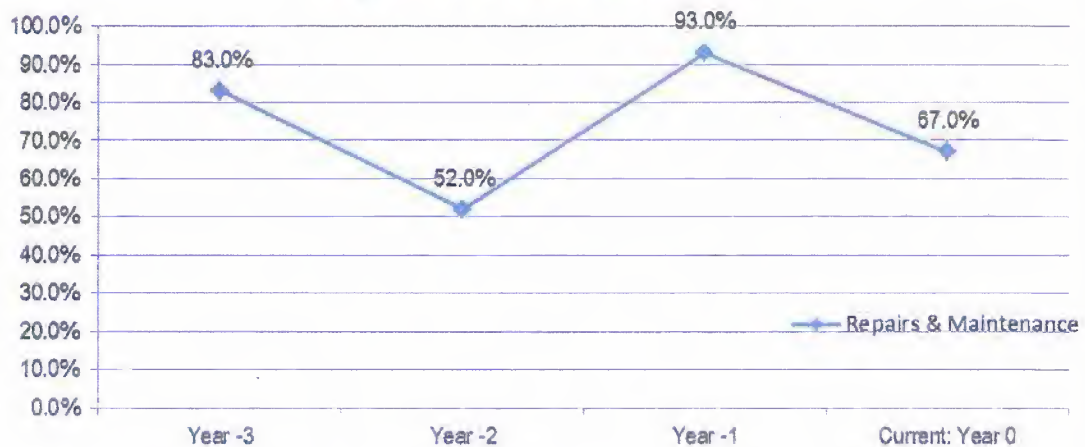


Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

Data used from MBRR SA8

T 5.4.7

Repairs & Maintenance



Repairs and Maintenance – This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance.

Data used from MBRR SA8

Chapter 5

COMMENT ON FINANCIAL RATIOS:

1 Liquidity ratio

This ratio measures the municipality's ability to pay its debts when due and is calculated by dividing the total current assets by current liabilities. The higher the ratio the better. Tswaing Local Municipality reflects a weak liquidity ratio meaning that the municipality is not able to pay its debts when they fall due.

The municipality incurred a net deficit of R 4 032 495.00 for the current year, while current liabilities exceeded the current assets at year-end by R 149 730 101.00. The accounts payable at year end was R115 636 601.00 which means the municipality will not be able to service short term creditors when they fall due.

The electricity distribution losses amount to R 22 427 76900. Include in account payable at year end is an amount of R 69 937 032.00 owed to Eskom.

Creditors' payment period for the year under review is 332 days, which clearly indicates that the municipality is experiencing difficulties to pay their short-term obligations. Creditors as a percentage of cash and cash equivalents is 38 255% for the current year and 6 973% for the previous financial year. The municipality should generate cash by collecting outstanding debts to settle short term obligations to improve the liquidity and solvency position. The Budget and Treasury Office must implement sturdy controls and procedures to ensure that invoices are received and paid within the legislative time frames i.e. within 30 days of receipt of invoice. The Municipality must attempt to control certain discretionary expenditure items such as catering, telephone calls, excessive overtime claims, acting allowances on positions that are not budgeted and travelling costs in the form of accommodations and subsistence and travelling costs while making every effort to improve its revenue collection in line with the debt control policy.

The collection rate measured how much is money owed by the municipality by its consumers for Electricity, water, sanitation and refuse. It is calculated by dividing the total revenue collected versus the total billing of services' at 30 June 2018 the collection rate was 45%. Debtors collection period is 103 days.

Employee related costs budget amounts to R 87 million which is 48% of the total operating budget. Actual expenditure amount to R 76 873 307.00 which is 40% of actual expenditure.

T5.4.9

Chapter 5

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

As at the end of June 2017 the actual Capital Budget is reflected below as follows

The capital budget actuals for the 2017/18 financial year amounts to R 57 705 870.00 across the various categories namely Land and Building, Infrastructure, Community Assets and other PPE combined. 100% of the revenue is funded primarily from Grants and Subsidies.

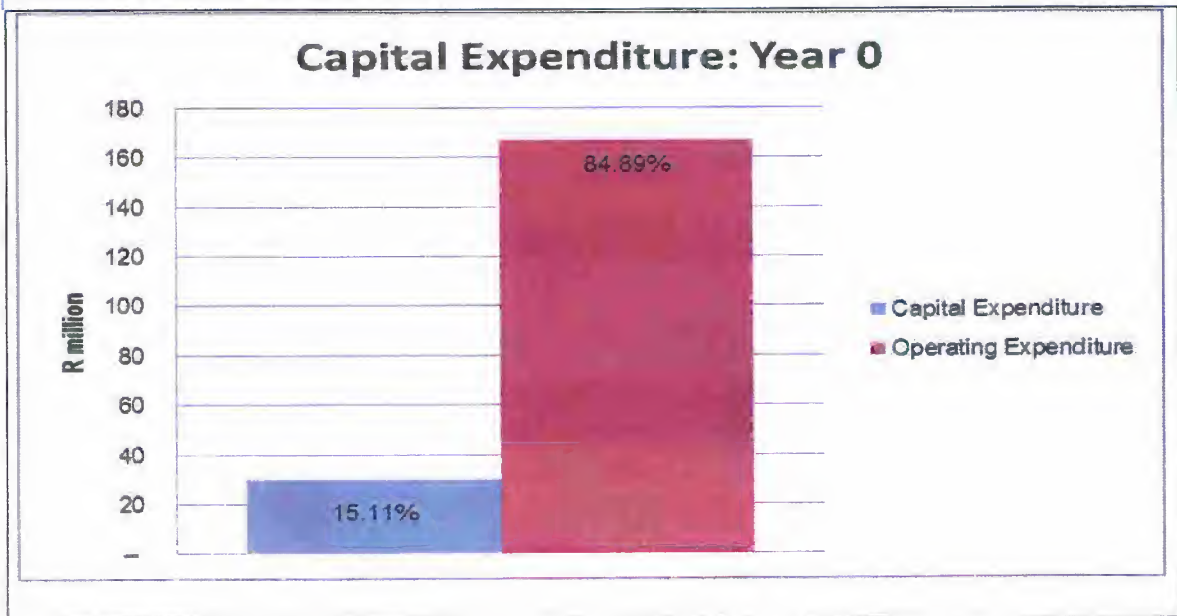
Challenges

The municipality relies on consultant for accounting of fixed assets. The municipality needs to put plans in place for effective transfer of skills from consultants. This will ensure that the municipality is involved in the key functions of asset management instead of relying on external service providers. As at the end of June 2018 the actual Capital Budget is reflected below as follows

TOTAL CAPITAL EXPENDITURE	
Land and Buildings	R 159 764 348.00
Machinery and Equipment	R 60 743.00
Furniture and Equipment	R 1 577 797.00
Motor vehicles	R 2 997 531.00
Office Equipment	R 32 341.00
Computer Equipment	R 674 676.00
Infrastructure assets	R 303 941 701.00
Infrastructure Community Assets	R 72 464 470.00
Other Assets	R 446 995.00
Work in Progress	R 38 995 955.00
TOTAL	R 580 965 517.00
T 5.5.0	

Chapter 5

5.5 CAPITAL EXPENDITURE



Chapter 5

R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	54	60	45	16.2%	25.3%
	54	60	45	16.2%	25.3%
Operating Expenditure	130	131	117	9.8%	10.3%
	130	131	117	9.8%	10.3%
Total expenditure	183	191	162	11.7%	15.0%
Water and sanitation	25	25	–	100.0%	100.0%
Electricity	10	16	8	21.3%	52.8%
Housing	–	–	–		
Roads, Pavements, Bridges and storm water	–	–	33		
Other	18	18	4	79.4%	79.3%
	54	60	45	16.2%	25.3%
External Loans	–	–	–		
Internal contributions	–	–	0		
Grants and subsidies	53	60	45	16.6%	25.7%
Other	–	–	–		
	53	60	45	16.1%	25.3%
External Loans	–	–	–		
Grants and subsidies	57	128	115	-102.6%	10.3%
Investments Redeemed	–	–	–		
Statutory Receipts (including VAT)	–	–	–		
Other Receipts	133	63	60	55.1%	5.1%
	189	191	174	7.9%	8.6%
Salaries, wages and allowances	62	66	67	-8.4%	-2.6%
Cash and creditor payments	66	40	50	24.2%	-24.3%

Chapter 5

Capital payments	57	60	45	20.8%	25.3%
Investments made	–	–	–		
External loans repaid	–	–	0		
Statutory Payments (including VAT)	–	–	–		
Other payments	2	25	0	99.9%	100.0%
	187	191	162	13.2%	15.0%

	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Property rates	9	9	10	-10.4%	-13.0%
Service charges	46	46	45	1.6%	1.6%
Other own revenue	78	8	4	94.2%	44.6%
	133	63	60	55.1%	5.1%
Employee related costs	62	66	67	-8.4%	-2.6%
Provision for working capital	–	6	1		78.1%
Repairs and maintenance	4	4	4	16.4%	16.4%
Bulk purchases	27	27	15	45.4%	45.0%
Other expenditure	37	28	30	17.5%	-8.4%
	130	131	117	9.8%	10.3%
Service charges: Electricity	28	28	27	2.2%	2.2%
Grants & subsidies: Electricity	–	–	–		
Other revenue: Electricity	–	–	–		
	28	28	27	2.2%	2.2%
Employee related costs: Electricity	3	3	3	-17.3%	-13.1%
Provision for working capital: Electricity	–	–	–		
Repairs and maintenance: Electricity	2	1	1	36.6%	4.5%

Chapter 5

Bulk purchases: Electricity	26	26	14	46.5%	46.5%
Other expenditure: Electricity	0	0	0	17.4%	16.0%
	31	31	19	39.6%	38.6%
Service charges: Water	10	5	6	43.9%	-9.8%
Grants & subsidies: Water	–	–	–		
Other revenue: Water	–	–	–		
	10	5	6	43.9%	-9.8%
Employee related costs: Water	3	3	4	-11.2%	-9.6%
Provision for working capital: Water	–	–	–		
Repairs and maintenance: Water	1	1	1	42.7%	33.6%
Bulk purchases: Water	1	1	1	12.4%	-12.8%
Other expenditure: Water	0	0	0	-331.1%	-331.1%
	6	6	6	0.9%	-5.3%

Chapter 5

5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: Year -1 to Year 0								R' 000
Source of finance	Details	Year -1		Year 0			Adjustment to OB Variance (%)	Actual to OB Variance (%)
		Actual	Original Budget (OB)	Adjustment Budget	Actual			
Source of finance	External loans	0	0	0	0			
	Public contributions and donations	0	0	0	0			
	Grants and subsidies	21155475	29730000	39730000	39730000		33.64%	33.64%
	Other	0	0	0	0		#DIV/0!	#DIV/0!
Total		21155475	29730000	39730000	39730000		#DIV/0!	#DIV/0!
Percentage of finance	External loans	0.0%	0.0%	0.0%	0.0%		#DIV/0!	#DIV/0!
	Public contributions and donations	0.0%	0.0%	0.0%	0.0%		#DIV/0!	#DIV/0!
	Grants and subsidies	100.0%	100.0%	100.0%	100.0%		#DIV/0!	#DIV/0!
	Other	0.0%	0.0%	0.0%	0.0%		#DIV/0!	#DIV/0!
Capital expenditure	Water and sanitation	0	0	0	0		#DIV/0!	#DIV/0!
	Electricity	0	0	0	0		#DIV/0!	#DIV/0!
	Housing	0	0	0	0			
	Roads and storm water	19655474	29730000	39730000	39730000			
Total	Other	0	18200	18080	3748		-0.66%	-79.41%
		19655474	29748200	39748080	39733748		#DIV/0!	#DIV/0!
Percentage of expenditure	Water and sanitation	0.0%	0.0%	0.0%	0.0%		#DIV/0!	#DIV/0!
	Electricity	0.0%	0.0%	0.0%	0.0%		#DIV/0!	#DIV/0!
	Housing	0.0%	0.0%	0.0%	0.0%		#DIV/0!	#DIV/0!
	Roads and storm water	100.0%	99.9%	100.0%	100.0%		#DIV/0!	#DIV/0!
	Other	0.0%	0.1%	0.0%	0.0%		#DIV/0!	#DIV/0!
7 5.6.1								

Chapter 5

COMMENT ON SOURCES OF FUNDING:

The primary funding sources of Tswaing Local Municipality comprises largely of the following:

- 1. Operating Revenue and Capital Revenue
 - 1.1. Grant Funding
 - 1.1.1. Equitable Shares
 - 1.1.2. Conditional Grants (MIG, FMG and INEP)
- 2. Own Revenue Sources
 - 2.1. Electricity Revenue
 - 2.2. Water Revenue
 - 2.3. Waste Management
 - 2.4. Property on Investments
 - 2.5. Licenses and Traffic Violation Fines
 - 2.6. Rental Income

T 5.6.1

Chapter 5

5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
Name of Project	Current: Year 0			Variance: Current Year 0	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - Agisanang Taxi Route	6 000 000	10 606 937	9 481 919	-58%	-77%
B - Vrishegewaagte Internal Roads	6 000 000	7 876 811	5 971 712	0%	-31%
C -Ganalaagte Roads	6 000 000	8 867 121	7 876 812	-31%	-48%
D -Geysdorp internal roads	5 000 000	5 449 100	20 986	100%	-9%
E - Name of Project	0	0	0	0%	0%

* Projects with the highest capital expenditure in Year 0

Chapter 5

Municipal Infrastructure Grant (MIG)* Expenditure Year 0 on Service backlogs							R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)	
				Budget	Adjustments Budget		
Infrastructure - Road transport							
Roads, Pavements & Bridges	29730	39730	39730	-25.17%	0.00%		
Storm water							
Infrastructure - Electricity							
Generation							
Transmission & Reticulation	0	0	0	#DIV/0!	#DIV/0!		
Street Lighting	0	0	0	#DIV/0!	#DIV/0!		
Infrastructure - Water							
Dams & Reservoirs							
Water purification							
Reticulation							
Infrastructure - Sanitation							
Reticulation							
Sewerage purification							
Infrastructure - Other							
Waste Management							
Transportation							
Gas							
Other Specify:							
Total	29730	39730	39730	-25.17%	0.00%		
* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.							7 5.8.3

Chapter 5

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Cash and cash management is vital for both the short-term and long-term survival of the municipality. It is essential that an effective cash management process is established that will contribute to a positive current ratio, whereby the municipality's turnaround of current assets in relation to current liabilities is at least 2:1. This ration refers to the municipality's ability to convert current assets into cash and settle current liabilities within a 12 months period.

Tswaing Local Municipality does not have any investments except for a call account which is used to safe guard projects money.

T 5.9

Chapter 5

5.9 CASH FLOW

Cash Flow Outcomes				
Description	Year -1	Current: Year 0		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	74 639	216 751	62 747	57 819
Government - operating	79 928	97 640	97 640	101 607
Government - capital	21 155	29 730	39 730	39 730
Interest	193	250	250	235
Dividends	33	20	20	20
Payments				
Suppliers and employees	(174 450)	(338 065)	(222 470)	(173 917)
Finance charges				
Transfers and Grants				
NET CASH FROM/(USED) OPERATING ACTIVITIES	1 497	6 327	(22 083)	25 494
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE				
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
Payments				
Capital assets	(26 911)	(53 536)	(60 022)	(43 296)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(26 911)	(53 536)	(60 022)	(43 296)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans				
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
Payments				
Repayment of borrowing				
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	(25 414)	(47 209)	(82 105)	(17 803)
Cash/cash equivalents at the year begin:	3 403	(28 461)	(28 461)	2 408
Cash/cash equivalents at the year-end:	2 408	(75 670)	(110 566)	(15 394)
Source: MBRR A7				T 5.9.1

COMMENT ON CASH FLOW OUTCOMES:

Cash and Cash equivalents at the end of the year amounts to R 93 848.00

T 5.9.1.1

Chapter 5

5.10 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

According to MFMA section 45(1) A municipality may incur short-term debt only in accordance with and subject to the provisions of the Act and only when necessary to bridge;

1. Shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year or
2. Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitment

Tswaing Local Municipality did not use any external borrowings as a source for capital projects, also the municipality did not utilize any bank overdraft facility.

T5.10.1

Actual Borrowings: Year -2 to Year 0 R' 000			
Instrument	Year -2	Year -1	Year 0
Municipality	0	0	0
Long-Term Loans (annuity/reducing balance)	0	0	0
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted by Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
Municipality Total	0	0	0
Municipal Entities			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted by Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			

Chapter 5

Financial derivatives			
Other Securities			
Entities Total	0	0	0
T 5.10.2			

Municipal and Entity Investments			
	R' 000		
Investment* type	Year -2	Year -1	Year 0
	Actual	Actual	Actual
Municipality			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers' Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Municipal Bonds			
Other	21-Jul-01	567	568
Municipality sub-total	568	567	568
Municipal Entities			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers' Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Other			
Entities sub-total	0	0	0
Consolidated total:	568	567	568
T 5.10.4			

COMMENT ON BORROWING AND INVESTMENTS:

The municipality did not have any investments and no external borrowings were used as a source for capital expenditure

T 5.10.5

Chapter 5

5.11 PUBLIC PRIVATE PARTNERSHIPS

PUBLIC PRIVATE PARTNERSHIPS

The Municipality did not have any Public Private Partnership agreements in place for the financial year under review.

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

The Supply Chain Policy has been approved by Council, however the policy is not fully compliant with National Treasury Supply Chain Management Regulations.

Functioning of SCM unit – The unit is operating with only three (3) employees and they have not been trained on the functioning of the Supply Chain Management processes.

Functioning of Bid Committees – The Accounting Officer has as per section 26 of the Supply Chain Management regulations appointed the following committees;

1. Bid Specification Committee
2. Bid Evaluation Committee
3. Bid Adjudication Committee

The bid committees were constituted to be in line with treasury regulations and approved policy. Members of the committees were not trained during the year under review. The municipality has appointed consultants to assist with Bid Specification Committee as we don't have capacity internally.

Contract Management – Section 75(1)(g) of the MFMA stipulates that the municipality must place all awarded contracts above certain value on the municipal website. Regulation 23(c)(iii) also specifies that all bid results must be submitted/advertised on the municipal website. The core functions of the contract management unit are:

1. To administer all contracts entered between council and responsive bidders
2. Facilitate the signing of the SLA with responsive bidder.
3. Monitoring of the contracts signed for the delivery of various goods and services in consultation with relevant departments.

However, it must be noted that due to capacity challenges in the form of personnel the functions were not fully implemented.

Chapter 5

Performance Management – Section 116(2)(d) of MFMA stipulated that every contract that the municipality enters into, a regular report must be submitted to council detailing its management and the performance of the contractor. In order to be able to do this, the accounting Officer is thus required to compile a schedule summarizing progress against all the contracts that the municipality entered.

The Municipality has appointed consultants to assist with performance of contractors only for MIG projects. Implementation of procurement plan- Timeous implementation of procurement plans by user Departments continues to be a challenge.

T 5.12.1

5.13 GRAP COMPLIANCE

GRAP COMPLIANCE

GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The Municipality is in the process of ensuring that its financial system is GRAP compliant. Successful GRAP compliance will ensure that the municipal accounts are comparable and more informative. It will also ensure that the municipality is more accountable to its citizen and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The municipality has prepared fully GRAP compliant annual financial statements.

T 5.13.1

Chapter 6

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

Note: The Constitution section 188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement in terms of section 41 (1)(c) must be audited annually by the Auditor-General.

The Municipality received a qualified audit opinion.

Basis of qualified audit opinion are as follows:

Property, plant and equipment

Commitments

Accumulated surplus/deficit

Trade and other receivables

Expenditure

Employee benefits

Irregular Expenditure

Revenue

Unspent conditional grants

Vat payable

Provisions

Trade and other receivables

Chapter 6

COMPONENT B: AUDITOR-GENERAL OPINION

6.2 AUDITOR GENERAL REPORT



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the auditor-general to the North West provincial legislature and the council on the Tswaing Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Tswaing Local Municipality set out on pages 184 to 242, which comprise of the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Tswaing Local Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (DoRA).

Basis for qualified opinion

Cash flow statement

3. During 2017, I was unable to obtain sufficient appropriate audit evidence that non-cash items were appropriately accounted for in the municipality's calculation for net cash flows from operating activities as required by GRAP 2, *Cash flow statements*. My audit opinion on the financial statements for the period ended 30 June 2017 was modified accordingly. I was still unable to confirm the net cash flows from operating activities by alternate means. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Irregular expenditure

4. Section 125 of the MFMA requires the disclosure of irregular expenditure incurred. The municipality made payments of R10 121 126 in contravention with the supply chain management requirements which were not included in irregular expenditure disclosed. As the municipality did not quantify the full extent of the irregular expenditure, it was impracticable to determine the resultant understatement of irregular expenditure of R223 245 727 as disclosed in note 42 to the financial statements.



Chapter 6

Unauthorised expenditure

5. I was unable to obtain sufficient appropriate audit evidence that management had properly disclosed unauthorised expenditure due to the municipality not having an adequate system to monitor and detect unauthorised expenditure. I was unable to confirm unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to unauthorised expenditure of R258 768 053 as disclosed in note 46 to the financial statements was necessary.

Context for the opinion

6. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
7. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

9. Note 40 to the financial statements indicates that the municipality had a deficit of R4 032 495 and that the municipality's total current liabilities exceed its current assets by R149 730 101. These conditions, along with other matters as set forth in note 40, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern. My opinion is not modified in respect of this matter.

Emphasis of matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Fruitless and wasteful expenditure

11. As disclosed in note 41 to the financial statements, fruitless and wasteful expenditure of R9 718 266 was incurred in the current year and fruitless and wasteful expenditure of R26 367 746 from prior years have not yet been dealt with in accordance with section 32 of the MFMA.

Debt impairment

12. As disclosed in note 28 to the financial statements, material losses of R55 368 967 (2017: R37 651 434) were incurred as a result of a debt impairment provision on consumer debtors.

Material losses

13. As disclosed in note 43 to the financial statements, material losses of R22 427 769 (2017: R12 601 085) were incurred as a result of electricity distribution losses.

Restatement of corresponding figures

14. As disclosed in note 47 to the financial statements, the corresponding figures for 2017 have been restated as a result of errors in the financial statements of the municipality at, and for year ended, 30 June 2017.



Chapter 6

Other matters

15. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

16. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

17. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA standards of GRAP and the requirements of the MFMA and the DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
18. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

19. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
20. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

21. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.
22. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2018:



Chapter 6

Objectives	Pages in the annual performance report
KPA 1: Basic Service Delivery and Infrastructure Development: Technical Services	94 – 96
KPA 4: Basic Service Delivery and Infrastructure Investment: Community Services	91 – 93

23. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

KPA 1: Basic Service Delivery and Infrastructure Development: Technical Services

Various objectives

24. The following strategic objectives approved in the integrated development plan (IDP) were not included in the annual performance report:

- Facilitate the provision of water
- Facilitate the provision of sanitation
- Maintain roads and storm water
- Provide Street Lighting
- Facilitate the provision of electricity

Various indicators: Performance indicators were not verifiable, reported achievement not reliable and no comparison with performance of the previous year

25. The systems and processes to enable reliable reporting of the achievement against the indicators were not adequately designed and implemented. As a result, I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below due to these limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. In addition, a comparison between the performance of the year under review and previous year was not included in the annual performance report. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report.

Key performance indicator	Annual target	Reported achievement
% of water network & pumps maintained	50% of water infrastructure maintained by June 2018	Achieved
% of waste water network and treatment plants maintained	100% maintained waste water network and treatment plants by June 2018	Achieved
% of maintenance of underground cables and overhead lines network	60% of overhead and underground infrastructure maintained	Achieved
% of regular maintenance of street lights	20% regular maintenance of street lights by June 2018	Achieved
Number of KM of roads and storm water to be constructed	1.3 KM of internal roads and storm water upgraded from gravel to segmented paving block in Delaraville by June 2018	Not Achieved 98% complete
The number of roads to be maintained	10KM of roads to be maintained by June 2018	Not Achieved



Chapter 6

Key performance indicator	Annual target	Reported achievement
The number of roads to be repaired and maintained	10 KM of roads to be repaired and maintained by end June 2018	Not included in the Annual Performance Report

Various indicators: Reported achievement not reliable and no comparison with performance of the previous year

26. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of these indicators below. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. In addition, a comparison between the performance of the year under review and previous year was not included in the annual performance report. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report.

Key performance indicator	Annual target	Reported achievement
Number of households connected to water network as per received application	30 household connected to water network as per received application by June 2018	Achieved
Number of households connected to sewer network as per received application	30 households to be connected to sewer network by June 2018	Achieved
Number of households with electricity connections as per received application	30 connected to grid by June 2018	Achieved

Various indicators: No comparison between performance of the year under review and previous year

27. A comparison between the performance of the year under review and previous year was not included in the annual performance report for the following indicators:

Key performance indicator	Annual target	Reported achievement
Number of KM of roads and storm water to be constructed	1.5 KM of internal roads and storm water upgraded from gravel to segmented paving block in Ganalaagte by June 2018	Not Achieved 92% complete
Number of KM of roads and storm water to be constructed	1.0 KM of internal roads and storm water upgraded from gravel to segmented paving block in Geysdorp by June 2018	Achieved 100% complete
Number of KM of roads and storm water to be constructed	2.3 KM of internal roads and storm water upgraded from gravel to segmented paving block in Agisanang by June 2018	Not Achieved 98% complete
Number of KM of roads and storm water to be constructed	1.5 KM of internal roads and storm water upgraded from gravel to segmented paving block in Vrichewaagte by June 2018	Not Achieved 85% complete



Chapter 6

Various indicators: Reported achievements were not consistent with the planned and reported targets

28. The reported achievements were not consistent with the planned targets as the actual level of achievement was not reported for the following indicators:

Key performance indicator	Annual target	Reported achievement
Percentage of water network and pump maintained	50% of water infrastructure maintained	Achieved
Percentage of waste water treatment plants maintained	100% maintained waste water network and treatment plants by June 2018	Achieved
Percentage of maintenance of underground cables and overhead line network	60% of overhead and underground infrastructure maintained	Achieved
Percentage of regular maintenance of street lights	20% regular maintenance of street lights by June 2018	Achieved
Number of roads to be maintained	10 km roads to be maintained by June 2018	Not achieved
Number of households connected to water network as per received application	30 Household connected to water network as per received application by June 2018	Achieved
Number of households connected to sewer network as per received application	30 Household connected to sewer network as per received application by June 2018	Achieved
Number of households connected to electricity network as per received application	30 Household connected to electricity network as per received application by June 2018	Achieved

The number of KMs of roads to be maintained

29. This indicator approved in the service delivery and budget implementation plan was The number of KMs of roads to be maintained. However, the indicator reported in the annual performance report was The number of roads to be maintained.

The number of KMs to be repaired and maintained

30. This indicator and target approved in the strategic development and budget implementation plan was not reported in the annual performance report.

KPA 4: Basic Service Delivery and Infrastructure Investment: Community Services

Various objectives

31. The following strategic objectives approved in the Integrated development plan (IDP) were not included in the annual performance report:

- Facilitate the provision of housing
- Facilitate the provision of Community Infrastructure
- Promote greening and environmental sustainability
- Provide and Maintain cemeteries



Chapter 6

Various Indicators: Performance indicators were not verifiable, reported achievements not reliable and consistent with the planned and reported targets and no comparison with performance of the previous year

32. The systems and processes to enable reliable reporting of the achievement against the indicators were not adequately designed and implemented. In addition, the reported achievements were not consistent with the planned targets as the actual level of achievement was not reported. As a result, I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below due to these limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Furthermore, a comparison between the performance of the year under review and previous year was not included in the annual performance report. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report.

Key performance indicator	Annual target	Reported achievement
Number of cemeteries developed	4 cemetery development and maintenance by end of June 2018	Not achieved
Number of cemeteries maintained	4 community cemeteries maintained by June 2018	Not achieved
Number of households to be provided with refuse removal services	3 153 households with access to refuse removal by June 2018	Not achieved
Number of household with access to solid waste	10159 household with access to solid waste by June 2018	Achieved
Number of approved land development applications	18 approved land development application by June 2018	Not achieved
Number of hectares of municipal land released for human development	8 hectares municipal land released for human settlements by June 2018	Not achieved
Number of informal settlement formalised	3 Informal settlement to be finalised by June 2018	Achieved Letsopa Ext 7 and Delareyville Ext 8

Number of identified faded road markings and signs painted and replaced

33. The planned indicator and target were 90 faded road markings and signs by June 2018, but the reported achievement referred to was Achieved. In addition, a comparison between the performance of the year under review and previous year was not included in the annual performance report.

Other matter

34. I draw attention to the matter below.

Achievement of planned targets

35. Refer to the annual performance report on pages 91 to 96 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 24 to 33 of this report.



Chapter 6

Report on audit of compliance with legislation

Introduction and scope

36. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
37. The material findings on compliance with specific matters in key legislation are as follows:

Financial statements and annual report

38. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements on trade receivables from exchange transactions, commitments, related parties, the statement of comparison of budget and actual and other MFMA disclosures identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided, resulted in the financial statements receiving a qualified audit opinion.
39. The 2016-17 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.
40. The 2016-17 annual report was not made public after being tabled in council, as required by section 127(5)(a) of the MFMA.
41. The local community was not invited to submit representations in connection with the 2016-17 annual report, as required by section 127(5)(a) of the MFMA.
42. The council failed to adopt an oversight report containing the council's comments on the annual report within the prescribed timelines, as required by section 129(1) of the MFMA.

Strategic planning and performance management

43. A mid-year performance assessment was not performed, as required by section 72(1)(a)(ii) of the MFMA.

Asset management

44. Investments were made in listed shares, in contravention of regulation 6 of the Municipal Investment Regulations.

Expenditure management

45. Money owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.
46. Effective steps were not taken to prevent irregular expenditure as required by section 62(1)(d) of the MFMA. As reported in the basis for qualified opinion, the full extent of the irregular expenditure could not be quantified. The majority of the disclosed irregular expenditure was caused by the municipality's failure to obtain three written price quotations from suppliers.
47. Effective steps were not taken to prevent fruitless and wasteful expenditure of R9 718 266, as disclosed in note 41 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest on late payments due to the municipality's failure to make payments within 30 days from the date of the invoice.
48. Reasonable steps were not taken to prevent unauthorised expenditure as required by of section 62(1)(d) of the MFMA. As reported in the basis for qualified opinion, the full extent of the unauthorised expenditure could not be quantified.



Chapter 6

Human resource management

- 49. I was unable to obtain sufficient appropriate audit evidence that the employment contract of the municipal manager was for a fixed period of five years, as required by section 57(6)(a) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and regulation 2(3)(a) of the Municipal Performance Regulations for Municipal Managers.
- 50. I was unable to obtain sufficient appropriate audit evidence that financial interests were disclosed by the senior managers within 60 days from the date of appointment, as required by regulation 36(1)(a) of the Regulations on Appointment and Conditions of Employment of Senior Managers.
- 51. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted as required by section 67(1)(d) of the MSA.

Procurement and contract management

- 52. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.
- 53. Some of the quotations were accepted from prospective providers who were not on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b). Similar non-compliance was also reported in the prior year.
- 54. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
- 55. Sufficient appropriate audit evidence could not be obtained that quotations were only accepted from bidders whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43. Similar non-compliance was also reported in the prior year.
- 56. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by inviting competitive bids and that deviations approved by the accounting officer were only if it was impractical to invite competitive bids, as required by SCM regulations 19(a) and 36(1). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the key projects of the Rehabilitation of Agisanang Taxi Route, Gannalaagte Internal Roads and Vrischgewaagd Internal Roads.
- 57. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the key projects of the Rehabilitation of Agisanang Taxi Route, Gannalaagte Internal Roads and Vrischgewaagd Internal Roads.
- 58. Contracts were awarded through a competitive bidding processes that were not adjudicated by the bid adjudication committee. Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the key projects of the Rehabilitation of Agisanang Taxi Route, Gannalaagte Internal Roads and Vrischgewaagd Internal Roads.
- 59. The preference point system was not applied for procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
- 60. Some of the contracts and quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy



Chapter 6

Framework Act and its regulations. Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the key projects of the Rehabilitation of Agisanang Taxi Route, Gannalaagte Internal Roads and Vrischgewaagd Internal Roads.

61. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations. Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the key projects for the Gannalaagte Internal Roads.
62. Some of the contracts were awarded to bidders based on pre-qualification criteria that differed from those stipulated in the original invitation for bidding, in contravention of the 2017 preferential procurement regulation 4(1) and 4(2). This non-compliance was identified in the procurement processes for the key project for the Vrischgewaagd Internal Roads.
63. Sufficient appropriate audit evidence could not be obtained that all extensions or modifications to contracts were approved by a properly delegated official, as required by SCM regulation 5. Similar non-compliance was also reported in the prior year.
64. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e) and the code of conduct for councillors issued in terms of the MSA.

Consequence management

65. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) and (b) of the MFMA.

Utilisation of conditional grants

66. Performance in respect of programmes funded by the Municipal Infrastructure Grant was not evaluated, as required by section 12(5) of the DoRA.

Other information

67. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
68. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
69. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
70. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.



Chapter 6

Internal control deficiencies

71. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified, the findings on the annual performance report and the findings on compliance with legislation included in this report.

- The leadership's philosophy is not contributing towards a clean administration. This is evidenced by the lack of adequate oversight and monitoring of consequence management over SCM transgressions and the post audit action plan. This resulted in recurrence of material findings over financial and performance information and compliance with laws and regulations.
- The accounting officer did not adequately monitor reporting, compliance with laws and regulations and internal control as supporting documentation submitted during the audit did not adequately support disclosures while management failed to respond to critical audit issues. The inability of management to address prior year audit findings and over reliance on financial consultants to perform the majority of financial reporting is concerning. Management's lack of commitment to address repetitive findings relating to supply chain management regulations is indicative of financial misconduct.
- The accounting officer failed to install good governance principles within the municipality. These include the development and implementation of a risk management policy, fraud prevention plan and the effective application of recommendations made by external audit. No internal audit unit was established and the audit committee did not fulfil their legislative responsibilities.

Auditor-General

Potchefstroom

30 November 2018



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Chapter 6

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit-evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Tswaing Local Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.



Chapter 6

POST AUDIT ACTION PLAN (PAAP): 2017/2018

PROGRESS REPORT TO DATE: JANUARY 2019

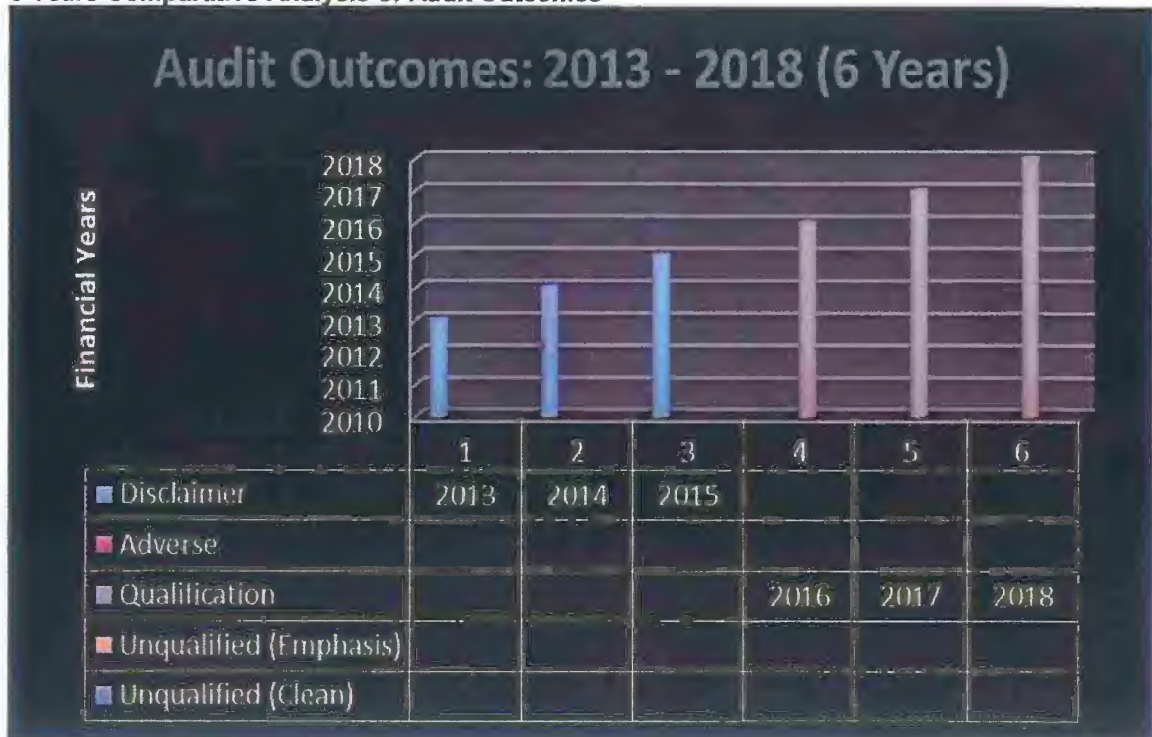
1. The Audit Outcome for 2017/2018

Tswaing Local Municipality has been able to maintain its **Qualified Audit Opinion** for the financial year 2017/2018, given the challenges as outlined in the presentation, some of which are the following:

- Human resource capacity, both at senior management levels, and the BTO office in key critical posts such as Accountants (in Asset Management, Expenditure, Credit Control, etc.). The finalization of the organizational structure is at a slow pace.
- The above factor has a bearing on the achievement of service delivery objectives, and the implementation of any action plan designed to improve the municipality's operations, such as Financial Recovery Plan (Revenue Enhancement, and collection of consumer debts), Post Audit Action Plan, Back-2-Basics Programme, etc.

The qualification obtained, is mainly on the Annual Financial Statements, and this is attributed to the use of external consultants in the preparation thereof, the payment of which is funded by Provincial Treasury. Provincial Treasury, through its Municipal Finance Support unit, also provided assistance with the secondment of the Municipal Finance Experts.

2. 6 Years Comparative Analysis of Audit Outcomes



Chapter 6

3. Audit Findings: Basis for Qualified Audit Opinion

Annual Financial Statement (AFS) Component	Audit Findings: Issues Raised	Recommended Remedial Action	Reporting Time Frames
Irregular expenditure	<p>Material Misstatements Not Corrected: Incomplete disclosure of irregular expenditure (Completeness). Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p> <p>Lack of thorough review of the irregular expenditure register to ensure completeness.</p>	Management should ensure that thorough reviews of the irregular expenditure register take place especially at year end before closing off the books to ensure completeness of register.	<p>Monthly</p> <p>January – June 2019</p>
Cash Flow Statement	<p>Material Misstatements Not Corrected: Incorrect calculation of the Net Cash from Operating Activities and Cash Generated from Operations.</p>	The Accounting Officer should ensure that the cash flow statement is calculated in terms of GRAP 2.	<p>Monthly</p> <p>January – June 2019</p>
Unauthorized expenditure	<p>Material Misstatements Not Corrected: Inadequate system to accurately calculate and support unauthorized expenditure disclosed. Thus, there is a material limitation misstatement of R66 209 110 on the total for the current year unauthorized expenditure</p>	Management should implement controls to ensure compliance with the requirements of the Municipal Finance Management Act 56 of 2003.	<p>Monthly</p> <p>January – June 2019</p>

Chapter 6

Comment: A 4 Years' Comparative Analysis of Total Number of Audit Paragraphs Affecting the Audit Outcome: 2014/2015, 2015/2016, 2016/2017 & 2017/2018

The above scenario is supported by improvements as reflected by the reduction in audit paragraphs over the past four years, as depicted hereunder

Financial Year	Audit Opinion	Audit Paragraphs		
		Total	Resolved	Outstanding
2017/2018 (Current)	Qualified	3	0	3
2016/2017	Qualified	4	3	1
2015/2016	Qualified	12	9	3
2014/2015	Disclaimer	24	19	6

Comment: A Three (3) Years' Comparative Analysis of Total Audit Findings

Total audit findings have decreased in 2017/2018 to 92, against 105 in 2016/2018, as reflected on the table below, as per the Management Report:

Financial Year	Audit Opinion	Total Audit Findings
2017/2018	Qualified	92
2016/2017	Qualified	105
2015/2016	Qualified	148
2014/2015	Disclaimer	303

4. Audit Findings: Matters of Emphasis

The following are emphasis of matter raised by the Auditor General, which must be brought to the attention of Users (Stakeholders):

- ☐ Material Uncertainty Related to Going Concern
- ☐ Re-statement of corresponding and comparative figures (2015/2016)
- ☐ Material Losses: Bulk electricity Purchases
- ☐ Debt Impairment: Long over-due Consumer debts not collected
- ☐ Unauthorized, Irregular and Fruitless & Wasteful expenditure – Consequence Management (MFMA: sec.32) not instituted.

Chapter 6

Audit Finding: AFS Component	Issues Raised	Recommended Remedial Action	Reporting Time frames
Going Concern: Material uncertainty on the municipality's ability to continue operating	(a) Net Operating Deficit (Loss): R4 million (b) Liquidity (Net Current Liability): R149m	Improvement of revenue generation (enhancement) & debt collection.	Monthly
Corresponding and Comparative Figures (2016/2017)	Re-statement, due to prior-year error adjustments (misstatements / wrong calculations) in the financial statements	Implement month-end procedures & reconciliations	Monthly Cleared by 30 June 2018
Bulk electricity Purchases	Material Losses: R22 million	Implement month-end procedures & reconciliations	Monthly
Consumer Debts	Debt Impairment amounting to material losses of R55 million : Long over-due Consumer debt not collected	<ul style="list-style-type: none"> • Implement credit control policy • Data cleansing of Debtor's Ledger • Customer Care & increase HR capacity of Technical Services 	Monthly
SCM: UIF & Wasteful Expenditure	Internal control deficiency , thereby leading to Non-compliance in accordance with sections 32, and 62(1) (d) of MFMA.	<ul style="list-style-type: none"> • Implementation of Consequence Management: Management to ensure that adequate controls are implemented to prevent UIF&W, and recover losses incurred from responsible officials ensures compliance with applicable laws and regulations. 	Monthly

Chapter 6

5. Other Matters: Management Report

Other audit findings relate to the following aspects, as summarized:

Item No.	Audit Finding	Query: Root Cause	Responsible Official	Remedial Action Plan / Progress:	Timeframe
1	<u>Internal Controls</u>	<p>Internal control deficiency findings on the Annual Performance Report and Compliance with Legislation:</p> <p>(1) Leadership's philosophy and operating style that is not contributing towards clean administration;</p> <p>(2) Lack of implementation and monitoring of action plans to address prior year audit findings;</p> <p>(3) Accounting authority's failure to install good governance (e.g. Risk management policy, fraud prevention, and application of external audit recommendations);</p>	Municipal Manager	<p>The Municipal Manager was appointed on 1st August 2017, with the municipality previously managed by acting officials, since coming out of Section 139 Administration.</p> <p>Corporate Services Director was also appointed with effect from 1st December 2017.</p> <p>The position of CFO was filled effective 1st June 2018, with the Budget Manager having acted for the year.</p> <p>These are the only three (3) permanent senior managers appointed to date.</p> <p>The above scenarios have a huge negative impact on the audit findings raised on the Annual Performance Report, with regards to:</p> <p>(1) Effective and efficient Leadership towards clean administration.</p> <p>(2) The municipality's capability to address prior years' audit findings;</p> <p>(3) Installation of Good governance</p>	30 th June 2019

Chapter 6

Item No.	Audit Finding	Query: Root Cause	Responsible Official	Remedial Action Plan / Progress:	Timeframe
2	<u>Predetermined Objectives</u>	<p>(1) Municipality does not have an approved Road Maintenance Plan.</p> <p>(2) Reported <u>indicators</u> and <u>targets</u> not consistent, and verifiable;</p> <p>(3) Reported achievements not reliable - No supporting documentation for the reported achievements.</p> <p>(4) Performance indicators and related targets inefficiencies (are not measurable, verifiable and properly presented and disclosed)</p> <p>(5) Level of achievement reported does not agree to POE</p>	Municipal Manager / Acting PMS Manager	<p>The Review processes to be undertaken by management through the PMS (IDP) office, with the assistance from the Technical PMU unit, and Provincial COGTA & HS, to ensure:</p> <p>(1) That management develops, approves, and implement formal processes and system of collection, collation, verification, monitoring, reporting and storing (record-keeping) of actual performance data to enable accuracy, validity and completeness of performance reporting.</p> <p>(2) Monitoring of projects, and their completion within the timeframe Reported indicators and targets are consistent with those as per IDP and SDBIP</p> <p>(3) Reported achievements are reliable and supported by POE's</p> <p>(4) Road infrastructure - monitoring of projects, and their completion within the timeframe</p>	30 th June 2019
4	<u>Immovable Assets</u>	<p>(1) Impairment loss incorrectly reflected in the AFS</p> <p>(2) Work in progress was incorrectly recognised in the AFS</p> <p>(3) PPE Limitation of scope for testing of disposals</p> <p>(4) Differences noted between asset register and GL and monthly reconciliations between asset register and GL were not performed</p>	CFO / SCM Manager	<p>Management to ensure that all financial information is supported by appropriate reconciled schedules and registers.</p> <p>(3) Management to improve municipal policy on disposal of PPE to allow complete testing of procured</p> <p>(4) Monitoring and evaluation of Asset Register will be assessed frequently to allow the GL and monthly Reconciliation correspond with the formulated Asset Register</p>	30 th June 2019

Chapter 6

Item No.	Audit Finding	Query: Root Cause	Responsible Official	Remedial Action Plan / Progress:	Timeframe
		(5) Incomplete disclosures for property plant and equipment		(5) Management to ensure compliance and completeness for the PPE procured and full disclosure in the AFS	
5	<u>Moveable Assets</u>	(1) Motor vehicles were not accounted correctly in the asset register (2) Assets selected from the floor could not be traced to the fixed asset register (3) Damaged fence at game reserve	CFO / SCM Manager	(1) Management to ensure that internal controls around asset bar-coding are functioning effectively (2) Fleet management to be implemented to ensure that there controls in usage of municipal vehicles and all the unrecognized assets to be included in the asset register (3) An appointment of fencing service provider to be procured	30 th June 2019
6	<u>Accruals</u>	Not applicable			
7	<u>Receivables</u>	(1) No accounting policy for receivables in the AFS (2) Understatement in Receivables and (3) Limitation of Scope: Indigent Debtors (4) Differences in Presentation of Gross and Net debtors	CFO / Acting Revenue Manager	(1) Management should ensure that they develop an accounting policy for receivables as required by GRAP 3 and also disclose this accounting policy in the AFS. (2) Management to provide regular reviews of rate change and charges made to customers. (3) Management to maintain an up to date and complete indigent listing, which is updated annually (4) Follow up outstanding debts regularly, to ensure that outstanding amounts according to age analysis are valid, for correct calculation of impairment, when their recoverability becomes doubtful.	Monthly Monthly Monthly

Chapter 6

Item No.	Audit Finding	Query: Root Cause	Responsible Official	Remedial Action Plan / Progress:	Timeframe
8	<u>Cash and cash equivalents</u>	<p>(1) Monthly bank reconciliations not performed, not reviewed and approved by Senior Personnel</p> <p>(2) Bank account details not submitted to the Provincial Treasury and the AG: Failure to exercise oversight responsibility regarding financial performance reporting, compliance, and related internal controls.</p> <p>(3) Differences in Cash Flow Statement</p> <p>(4) MFMA S10 non-compliance [cash and cash equivalents]</p>	CFO	<p>(1) Management to ensure that internal controls relating to monitoring and review of activities for bank reconciliations are carried out with due-diligence by senior officials</p> <p>(2) Management to ensure that the bank account details of the municipality are submitted to Provincial and national treasury, and Auditor General annually, as required by MFMA.</p> <p>(3) Management to ensure that the cash flow statement correct calculated in terms of GRAP 2.</p> <p>(4) Management to ensure the compliance of MFMA Act 56 of 2003</p>	Monthly
9	<u>Investments</u>	Investments made in listed shares in contravention of Regulation 6 of the Municipal Investment Regulations.	CFO / MM	Management to take the necessary corrective measures, in consultation with Municipal Council, to ensure compliance with Municipal Investment Regulations (Regulation 6)	30 June 2018
10	<u>Planning & Budget</u>	Not Applicable			
11	<u>Financial Statements</u>	<p>(1) High level review of the AFS submitted 31 August 2018</p> <p>(2) Statement of Comparison of budget and actual- Differences noted</p>	CFO	(1) Management to ensure that amounts as per disclosure notes agree with amounts / as per supporting documents (registers / reconciliations), and that the Relevant accounting policies are disclosed in the AFS as prescribed by GRAP 1	30 June 2018

Chapter 6

Item No.	Audit Finding	Query: Root Cause	Responsible Official	Remedial Action Plan / Progress:	Timeframe
		<p>(3) Misstatement identified in the prior period error audited</p> <p>(4) AFS, APR & Annual report (Tabling at Council)</p>		<p>(2) Management should ensure that they perform reconciliations and review disclosure of the statement of comparison of Budget and Actual amount.</p> <p>(3) Management to ensure that the prior period errors are reviewed to ensure the comparative figures are accurately restated</p> <p>(4) Management should ensure that they implement compliance checklists for AFS, APR & Annual Report</p>	30 June 2018
12	<u>Creditors</u>	<p>(1) Trade payables - Payments due to trade payables not settled within 30 days of an invoice;</p> <p>(2) Over-statement of retentions: Incorrectly recognized in AFS.</p> <p>(3) Trade payables: Completeness not confirmed due to lack of proper record-keeping;</p> <p>(4) Insufficient Disclosure on VAT – Payable</p> <p>(5) Limitation on trade payables sample not received</p> <p>(6) Trade and other payables – Retention was incorrectly recognized in the AFS</p>	CFO / Creditors Clerk	<p>(1) Management to ensure compliance with MFMA and applicable regulations</p> <p>(2) Management must prepare regular, accurate and complete financial and performance reports, and reconciliations, supported and evidenced by reliable information. This would ensure that retentions released are de-recognized from the balance at year-end.</p> <p>(3) Management to ensure that receipts from consumers are allocated to the respective debtors' accounts</p> <p>(4) (5) & (6) Management to address HR capacity challenges in the BTO, to be able to Implement Month-end closure procedures, and reconciliations</p>	Monthly Monthly Monthly Monthly
13	<u>Revenue</u>	An effective system of control for debtors and revenue not in place, as required by section 64(2)(f) of the MFMA:	CFO / Acting Revenue Manager	The following are the proposed actions plans, aimed at addressing the audit findings (queries) raised by the AGSA:	Monthly

Chapter 6

Item No.	Audit Finding	Query: Root Cause	Responsible Official	Remedial Action Plan / Progress:	Timeframe
		(1) Misstatement in Sewerage Charges and Refuse (2) Differences in basic water charges (3) Insufficient presentation and disclosure of Revenue from Non-Exchange Transactions (4) Revenue - Prepaid Electricity Misstatements.		(1) Management to ensure that information as per valuation roll is captured on the BCX system. (2) Management to ensure that correct tariffs are charged to consumers. By doing monthly reviews. (3) Management to ensure that fines are correctly classified as Revenue from Non-Exchange Transactions (4) Management to ensure weekly and monthly sales is reconciled and banked by Cigi-Cell	Monthly Monthly Monthly Monthly
14	<u>Employee Costs</u>	(1) Councillors not paid in accordance with the limits set out in the government gazette; (2) PAYE, UIF and SDL not paid within the required timeframe; (3) Disciplinary procedures not followed with regards to the dismissal of an employee. (4) Employees do not have signed job descriptions (5) Employment contract and declarations of interest by senior management not submitted for audit purposes	CFO & Director: Corporate	(1) Management should ensure that updated circulars are adopted and implemented from effective date and circulars should be reviewed on an annual basis (2) Management to ensure that PAYE, UIF and SDL are paid within the required timeframe, to avoid the incurrance of penalties due to late payments (3) Management and those charged with government should comply with laws and regulations and base their actions and decisions on the relevant policies and legislation (4) Management to ensure that there is job description for each post on the staff establishment as required by the MSA	Monthly On-going 28/02/2018 On-going
15	<u>Operating Expenditure</u>	(5) Expenditure was incorrectly accounted in the general ledger and there were invoices not included in the payment vouchers submitted	CFO / Expenditure Clerk	(1) Management to ensure that all vouchers include invoices and that the amount recorded in the general ledger agree with amounts as per the invoices	Monthly

Chapter 6

Item No.	Audit Finding	Query: Root Cause	Responsible Official	Remedial Action Plan / Progress:	Timeframe
16	<u>Prohibited Expenditure</u> (Unauthorized, Irregular, and Fruitless & Wasteful Expenditure)	<p>(1) No reports for unauthorized, irregular or fruitless and wasteful expenditure, submitted to Mayor, Provincial MEC: COGHSTA & HS, and AGSA</p> <p>(2) Reasonable steps not taken to prevent irregular, fruitless and wasteful expenditure;</p> <p>(3) Reasonable steps not taken to prevent unauthorized expenditure;</p> <p>(4): Irregular expenditure register incomplete and has duplicated items</p> <p>(5) Incorrect computation of Unauthorized Expenditure</p> <p>(6) Irregular Expenditure understated</p>	<p>(1) Municipal Manager</p> <p>(2) Municipal Manager</p> <p>(3) CFO</p> <p>(4) CFO / SCM Manager</p> <p>(5) CFO / SCM Manager</p> <p>(6) Municipal Manager</p>	<p>(1) Management should develop and implement controls to ensure that the necessary reports are submitted to the Mayor, MEC for Local Government in the province, and the AGSA.</p> <p>(2) Management should ensure that they comply with Section 62(1)(d) of the Municipal Finance Management Act</p> <p>(3) Management should ensure that they comply with Section 62(1)(d) of the Municipal Finance Management Act</p> <p>(4) Proper reviews by management to ensure accuracy and completeness</p> <p>(5) Management to ensure compliance and accuracy of irregular expenditure register</p> <p>(6) Management should ensure that the irregular expenditure disclosed in the financial statements is complete</p>	30 June 2018
17	<u>Procurement & Contract Management</u>	<p>(1) Preference point system not applied in the evaluation of bids for the procurement of goods / services above R30000</p> <p>(2) A minimum of three quotations not obtained;</p> <p>(3) No declarations submitted; Management not ensuring that, prior to appointing a service provider, a declaration of interest is attached to the quotation.</p> <p>(4) Tax clearance certificates not submitted; management making awards without tax clearance certificate attached.</p> <p>(5) The bids awarded without evidence that the bid was adjudicated</p>	<p>(1) MM / Acting CFO / SCM Manager</p> <p>(2) Acting CFO / SCM Manager</p> <p>(3) SCM Manager</p> <p>(4) SCM Manager</p>	<p>(1) Management to ensure compliance with sec. 2(1)(a) of PPPF Act and SMC Regulation 28(1)(a)(ii).</p> <p>(2) Management to ensure compliance with PPPF Act and SMC Regulation</p> <p>(3) Management to ensure that, prior to appointing a service provider, a declaration of interest is attached to the quotation, and also proper record-keeping</p> <p>(4) Management to ensure that quotations received have tax clearance certificates attached,</p> <p>(5) Bid adjudication reports to be compiled for every evaluated Bid and held as a proof to AGSA</p>	<p>Monthly</p> <p>Monthly</p> <p>Monthly</p> <p>Monthly</p> <p>Monthly</p>

Chapter 6

Item No.	Audit Finding	Query: Root Cause	Responsible Official	Remedial Action Plan / Progress:	Timeframe
		(6) Transactions split into parts to avoid the competitive process	(5) MM / Acting CFO / SCM Manager	(6) Any Bid or procurement above R30 000 will not be split into parts, instead it will go through tender process according to SCM Regulation	Monthly
		(7) The bidders eliminated without evidence that they did not achieve the minimum score for functionality	(6) Acting CFO / SCM Manager	(7) Management to ensure that the bids are adjudicated before they are awarded to the contractor	Quarterly
		(8) The Tenders is awarded to the bidder's whose municipal rates and taxes and municipal charges were in arrears for more than 3 months	(8) Acting CFO / SCM Manager	(8) Before a Tender could be awarded to a certain Bidder, his or Taxes and Rates will be assessed and monitored if they are in order	Monthly
		(9) No evidence of the final approval of the quotes by the appropriate delegated official	(9) Acting CFO / SCM Manager	(9) Management to ensure that policies and procedures are adequately implemented to enable and support execution of internal control objectives, processes and responsibilities relating to the SCM unit & (10), (11), (14), (13), (16), (17) (18)	On-going
		(10) - Award made to supplier who is not registered on the CSD and Award made to the supplier who did not meet the pre-determined criteria	(10) Acting CFO / SCM Manager		
		(11) Supplier with the lowest quotation not selected			
		(12) - Approved deviation not reported to council and not disclosed in the AFS			
		(13) Total expenditure incurred exceed the contract amount and- Retentions released whiles the project is still under work in progress			
		(14) Contract variation above 20% of the original contract amount		(12) A monthly report on all the Deviations will be constructed and be presented to the council as required by the Regulation, as well be included in the AFS	30 June 2018

Chapter 6

Item No.	Audit Finding	Query: Root Cause	Responsible Official	Remedial Action Plan / Progress:	Timeframe
		<p>(15) Quotations were not evaluated in accordance with the preference point system (PPPF Act)</p> <p>(16) No written quote obtained/no evidence of verbal quote obtained</p> <p>(17) Points for price were not correctly calculated as per PPPF Act</p> <p>(18) The award made without obtaining three quotations</p> <p>(19) The municipality does not have written approved sub-delegation of authority</p>		(19) Sub delegation of authority should be appointed by the Accounting Officer to make certain decision needed	
18	<u>Compliance</u>	<p>(1) Appointment and use of consultants (AFS preparation and audit support)</p> <p>(2) Issues raised in the prior year were not addressed in the Post Audit Action plan</p> <p>(3) Insufficient Disclosure on Accounting Policy for other income</p> <p>(4) The Detail of The Interest Declared by The Bidder is not disclosed in the note to the AFS</p> <p>(5) The Disciplinary Board was not established to investigate allegations of financial misconduct in the municipality</p>	<p>(1) MM / CFO</p> <p>(2) MM / CFO</p> <p>(3) MM / Director: Corporate</p> <p>(4) MM / Director: Corporate</p> <p>(5) MM / CFO / Director: Corporate Services</p>	<p>(1) BTO office has critical staff shortage of key positions (Accountants), hence the use of external consultants for AFS preparations and audit support. Management should comply with the requirements of MFMA circular 82 on cost containment.</p> <p>(2) Council should investigate unauthorised, irregular and fruitless and wasteful expenditure as the requirement of section 32 of the MFMA in order to determine the persons liable and recover the expenditure</p> <p>(3) & (4) Management should ensure completeness for disclosures in AFS</p> <p>(4) Council should ensure that the disciplinary board is established at the municipality to deal with investigations of financial misconduct.</p>	<p>30 June 2018</p> <p>30 June 2018</p> <p>30 June 2018</p> <p>30 June 2018</p>

Chapter 6

Item No.	Audit Finding	Query: Root Cause	Responsible Official	Remedial Action Plan / Progress:	Timeframe
		(6) Journals: Limitation - no sufficient appropriate audit evidence attached to the journal	(6) CFO / Acting Revenue Manager	(5) Management should ensure that records of supporting documents for approval and determination of values for disposal are kept to support the AFS.	30 June 2018
19	<u>Inventory</u>	(1) Differences identified during year end stock count (2) Value of land inventory is overstated (3) Inadequate disclosure relating to inventory	CFO/SCM	(1) Management should exercise oversight regarding inventory management to ensure that proper internal controls are in place to ensure proper records of inventory. (2) Management should ensure that the valuation of land inventory is determined using the valuation rates of the correct valuation period (3) Management should ensure that inventory related information is disclosed in the financial statements as required by GRAP.	
20	<u>Cash Flow Statement</u>	(1) Incorrect calculations (misstatements) (2) Bank reconciliations not reviewed by senior personnel (3) MFMA S10 non-compliance - Signatories	CFO	(1) ensure that the cash flow statement correct calculated in terms of GRAP 2. (2) Management to ensure that internal controls relating to monitoring and review of activities for bank reconciliations are carried out with due-diligence by senior officials (3) Management to ensure the compliance of MFMA Act 56 of 2003	Monthly
21	<u>Environment</u>	Not applicable			
22	<u>Information Technology</u>	(1) No IT governance framework in place (4) IT policies not in place:	Director: Corporate Services / IT Manager	(1) & (2) Management should formulate, implement and communicate a policy and/or procedure manual for the IT environment to create a good control environment	30 June 2019

Chapter 6

Item No.	Audit Finding	Query: Root Cause	Responsible Official	Remedial Action Plan / Progress:	Timeframe
23	<u>Commitments</u>	(1) Commitments were not correctly accounted and disclosed in the AFS In.	(1) CFO/SCM Manager	(1) Management should ensure that commitments schedules are separately completed for operational and capital commitments to ensure appropriate disclosure in the AFS.	30 June 2019

GLOSSARY

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General performance indicators	Key After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.

GLOSSARY

Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.

GLOSSARY

Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

APPENDICES

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/or Party Represented	Council Meetings Attendance	Apologies for non-attendance
				%	%
CLLR DIMAKATSO MALWANE MAYOR	FT	CHAIRPERSON OF EXCO COMMITTEE	PR COUNCILLOR ANC	93%	7%
CLLR PHEMELO LOBELO SPEAKER	FT	CHAIRPERSON OF COUNCIL	PR COUNCILLOR ANC	100%	0%
CLLR THABO MOREI	FT	CHAIRPERSON COMMUNITY SERVICES	PR COUNCILLOR ANC	86%	14%
CLLR TICKEY CHABANKU	FT	CHAIRPERSON TECHNICAL SERVICES	WARD 09 COUNCILLOR ANC	78%	22%
CLLR MBUYISELO BOOI	FT	CHAIRPERSON CORPORATE SERVICES & FINANCE	WARD 11 COUNCILLOR ANC	78%	22%
CLLR JURIE BOTHA	PT	FINANCE AND CORPORATE SERVICES	PR COUNCILLOR FF+	57%	43%
CLLR OLAOTSE MAKALELA	PT	PLANNING AND DEVELOPMENT	PR COUNCILLOR ANC	64%	36%
CLLR ANANIAS NOKO	PT	MPAC	PR COUNCILLOR ANC	21%	79%
CLLR THABO RADEBE	PT	COMMUNITY SERVICES	WARD 01 COUNCILLOR ANC	Passed away in September 2017	
CLLR SEHULARO MOREMEDI	PT	MPAC	WARD 02 COUNCILLOR ANC	93%	7%
CLLR MATSHEDISO MOREO	PT	COMMUNITY SERVICES	WARD 03 COUNCILLOR ANC	71%	29%
CLLR KEATLARETSE BLOU	PT	MPAC	WARD 04 COUNCILLOR ANC	86%	14%
CLLR SOLOMON LERUMO	PT	MPAC	WARD 05 COUNCILLOR ANC	71%	29%
CLLR ABRAM MODISE	PT	COMMUNITY SERVICES	WARD 06 COUNCILLOR ANC	78%	22%
CLLR BOORMAN PHUTUYAGAE	PT	TECHNICAL SERVICES	WARD 07 COUNCILLOR ANC	71%	29%

APPENDICES

CLLR NIKAGISANG MOLEHABANGWE	PT	FINANCE AND CORPORATE SERVICES	WARD 08 COUNCILLOR ANC	93%	7%
CLLR THERO TSHOLO	PT	TECHNICAL SERVICES	WARD 10 COUNCILLOR ANC	43%	57%
CLLR MODISAOTSILE LETLAKANE	PT	PLANNING AND DEVELOPMENT	WARD 12 COUNCILLOR ANC	43%	57%
CLLR THEMINKOSI MABOVU	PT	MPAC	WARD 13 COUNCILLOR ANC	50%	50%
CLLR PUSELETSO MOKOTO	PT	FINANCE AND CORPORATE SERVICES	WARD 14 COUNCILLOR ANC	86%	14%
CLLR TUMELO MTHIMKULU	PT	PLANNING AND DEVELOPMENT	WARD 15 COUNCILLOR ANC	93%	7%
CLLR CARIN VISSER	FT	CHAIRPERSON PLANNING AND DEVELOPMENT	PR COUNCILLOR DA	Resigned in December 2017	
CLLR ENERST THOBEGANE	PT	MPAC	PR COUNCILLOR DA	78%	22%
CLLR THAMSANQA MIGA	PT	FINANCE AND CORPORATE SERVICES	PR COUNCILLOR DA	71%	29%
CLLR KAGISO MANGWEJANE	FT	CHAIRPERSON PLANNING AND DEVELOPMENT	PR COUNCILLOR DA	78%	22%
CLLR LINDA TALJAARD	PT	TECHNICAL SERVICES	PR COUNCILLOR DA	50%	50%
CLLR GABAHELE KGASU	PT	MPAC	PR COUNCILLOR EFF	43%	57%
CLLR KHOLEKHILE SEDUKO	PT	TECHNICAL SERVICES	PR COUNCILLOR EFF	43%	57%
CLLR GALEOME MADEDE	PT	COMMUNITY SERVICES	PR COUNCILLOR EFF	43%	57%
CLLR BOME	PT	COMMUNITY SERVICES	WARD 01 COUNCILLOR ANC	100%	0%
CLLR SORET VILJOEN	PT	COMMUNITY SERVICES	PR COUNCILLOR DA	93%	7%
KGOSI MOLETE	PT	BAKOLOBENG TRIBAL AUTHORITY	N/A	71%	29%
KGOSI MOSHOETTE	PT	BAROLONG BOO SEITSHIRO TRIBAL AUTHORITY	N/A	78%	22%

Note: Councillor Bome was inaugurated in October 2017 replacing the deceased Councillor Radebe. Councillor Viljoen was inaugurated in January 2018 replacing Councillor Visser

APPENDICES

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Corporate Services	To make sure that there is a sound labour relations and compliance to the institution.
Community services	Deals specifically with human settlement issues and public safety.
Technical services	Deals more with services delivery issues
Finance	To take care of the municipal finances and compliance
Audit	Oversight committee in municipality
	<i>T B</i>

APPENDICES

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State Title and Name)
Finance	Stonea Pelele (Acting)
Community Services	Mogale Morwe (Acting)
Corporate Services	Vashty Ndongeni
Technical Services	Gomolemo Moipolai (Acting)
Municipal Manager	Manoto Moruti
T C	

APPENDICES

APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
WARD 01	CLLR BOME	YES	12	12	0
WARD 02	CLLR S. SEHULARO	YES	12	12	0
WARD 03	CLLR M. MOREO	YES	12	12	0
WARD 04	CLLR K. BLOU	YES	12	12	0
WARD 05	CLLR S. LERUMO	YES	12	12	0
WARD 06	CLLR A. MODISE	YES	12	12	0
WARD 07	CLLR B. PHUTYAGAE	YES	12	12	0
WARD 08	CLLR N. MOLEHABANGWE	YES	12	12	0
WARD 09	CLLR T. CHABANKU	YES	12	12	0
WARD 10	CLLR S.T TSHOLO	YES	12	12	0
WARD 11	CLLR M. BOOI	YES	12	12	0
WARD 12	CLLR M.S LETLAKANE	YES	12	12	0
WARD 13	CLLR A.T MABOVU	YES	12	12	0
WARD 14	CLLR P. MOKOTO	YES	12	12	0
WARD 15	CLLR T. MTHIMKULU	YES	12	12	0
					TE

APPENDICES

APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						R' 00 0
Vote Description	Year -1	Current: Year 0			Year 0 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Vote 1 - Executive and Council	187,559	86,462	85,712	75,726	-14%	-13%
Vote 2 - Budget and Treasury	19,644	15,889	16,372	21,381	26%	23%
Vote 3 - Corporate Services	0	0	0	0	0%	0%
Vote 4 - Community and social service	16,890	13,471	14,196	17,845	25%	20%
Vote 5 - Technical Services	69,492	99,043	82,032	84,075	-18%	2%
Example 6 - Vote 6						
Example 7 - Vote 7						
Example 8 - Vote 8						
Example 9 - Vote 9						
Example 10 - Vote 10						
Example 11 - Vote 11						
Example 12 - Vote 12						
Example 13 - Vote 13						
Example 14 - Vote 14						
Example 15 - Vote 15						
Total Revenue by Vote	294	215	198	199	0	0
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3						
						T K.1

APPENDICES

APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: excluding MIG						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Neighbourhood Development Partnership Grant						
Public Transport Infrastructure and Systems Grant						
<i>Other Specify:</i>						
EPWP	1330	1330	1330			
FMG	2010	2010	1395			
Library	1660	1660	1558			
Total						
<p>* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T 5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Obtain a list of grants from national and provincial government.</p>						

TL

APPENDICES

VOLUME II: ANNUAL FINANCIAL STATEMENTS

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Country of incorporation and domicile	South Africa
Mayoral committee	
Executive Mayor	Hon Cllr L Malwane
Speaker	Hon Cllr UP Lobelo
Chief Whip	Hon Cllr AN Noko
Councillors	Cllr L Bome Cllr SV Moremedi Cllr MM Moreo Cllr KE Blou Cllr ST Lerumo Cllr AT Modise Cllr B Phutiyagae Cllr NJ Molehabangwa Cllr TE Chabanku Cllr TS Tsholo Cllr ME Booi Cllr MS Letlakane Cllr AT Mabovu Cllr PM Mokoto Cllr TD Mhinkulu Cllr OJ Makalela Cllr TA Morei Cllr S Viljoen Cllr EM Thobengani Cllr TP Miga Cllr JK Magwejane Cllr LY Taljaard Cllr GE Kgasu Cllr KC Seduko Cllr GB Madebe Cllr JH Botha Kgosi JEF Molets Kgosi C Moshogotte
Grading of local authority	Low capacity
Accounting Officer	Mr ML Moruti
Registered office	Cnr. General Delarey and Government Street Delareyville 2770
Business address	Cnr. General Delarey and Government Street Delareyville 2770
Postal address	P O Box 24 Delareyville 2770
Bankers	First National Bank

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 184 - 242, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018.



Mr MI Moruti
Accounting Officer

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index

Accounting Officer's Responsibilities and Approval

Accounting Officer's Report

Statement of Financial Position

Statement of Financial Performance

Statement of Changes in Net Assets

Cash Flow Statement

Statement of Comparison of Budget and Actual Amounts

Accounting Policies

Notes to the Annual Financial Statements

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The municipality's main business is the provision of services to the community in line with Part B of Schedule 4 and Part B of Schedule 5 of the Constitution.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

Net deficit of the municipality was R 4 032 494 (2017: R 52 000 332).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had a deficit of R 4 032 495 and that the entity's total current liabilities exceed its current assets by R 149 730 101.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any subsequent events.

4. Accounting Officer's interest in contracts

The accounting officer does not have any interest in any contract concerning Tswaing Local Municipality.

5. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act No. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

7. Bankers

The banker of Tswaing Local Municipality is First National Bank.

8. Auditors

The Auditor General South Africa will continue in office for the next financial period.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	2	8 651 109	8 436 091
Receivables from exchange transactions	3	592 744	101 547
Receivables from non-exchange transactions	4	1 733 843	35 263 385
Trade receivables from exchange transactions	5	18 523 274	27 840 654
Cash and cash equivalents	6	93 848	301 294
		29 594 818	71 942 971
Non-Current Assets			
Biological assets	7	1 916 300	1 791 000
Investment property	8	59 966 377	60 130 767
Property, plant and equipment	9	633 972 946	580 963 407
Heritage assets	10	953 000	953 000
Other financial assets	11	568 820	567 191
		697 377 443	644 405 365
Total Assets		726 972 261	716 348 336
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	150 242 007	140 904 259
Value added tax payable	13	26 402 177	15 028 256
Consumer deposits	14	1 185 909	1 146 154
Unspent conditional grants and receipts	15	1 494 827	10 360 311
		179 324 920	167 438 980
Non-Current Liabilities			
Provisions	16	59 970 467	57 199 987
Total Liabilities		239 295 387	224 638 967
Net Assets		487 676 874	491 709 369
Accumulated surplus		487 676 875	491 709 369

* See Note 47

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	57 819 189	74 638 822
Rental of facilities and equipment		135 436	484 932
Licences and permits		2 247 031	2 426 629
Other income		1 372 962	687 024
Interest received - investment	20	234 735	198 552
Dividends received	20	20 000	32 553
Total revenue from exchange transactions		61 829 333	78 468 512
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	23 135 306	19 206 457
Transfer revenue			
Government grants & subsidies	22	141 336 969	101 083 017
Donations		38 675 185	726 899
Fines		590 123	223 142
Other income		579 208	-
Total revenue from non-exchange transactions		204 316 801	121 239 515
Total revenue	17	266 146 134	199 708 027
Expenditure			
Employee related costs	23	(76 873 307)	(66 838 181)
Remuneration of councillors	24	(11 289 745)	(9 265 246)
Depreciation and amortisation	25	(27 425 946)	(33 252 352)
Impairment loss/ Reversal of impairments	26	(1 482 983)	(8 304 511)
Finance costs	27	(14 296 812)	(16 330 208)
Lease rentals on operating lease		(430 770)	(675 661)
Debt Impairment	28	(55 368 967)	(37 651 434)
Repairs and maintenance		(890 269)	(3 848 049)
Bulk purchases	29	(37 375 506)	(32 586 846)
Contracted services	30	(6 783 364)	(5 246 428)
General Expenses	31	(43 109 577)	(40 822 656)
Total expenditure		(275 327 246)	(254 821 572)
Operating deficit	34	(9 181 112)	(55 113 545)
Loss on disposal of assets and liabilities		(217 385)	(4 430 921)
Fair value adjustments	32	1 629	-
Actuarial gains/losses		5 094 489	6 963 000
Gain on biological assets	45	125 300	581 134
Inventories losses/write-downs		144 574	-
		5 148 617	3 113 213
Deficit for the year		(4 032 495)	(52 000 332)

* See Note 47

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	508 679 184	508 679 184
Adjustments		
Correction of errors	35 030 516	35 030 516
Balance at 1 July 2016 as restated*	543 709 700	543 709 700
Changes in net assets	(49 218 863)	(49 218 863)
Deficit for the year as previously reported 2017	(2 781 468)	(2 781 468)
Correction of errors	-	-
Restated deficit for the year	(52 000 331)	(52 000 331)
Total changes	(52 000 331)	(52 000 331)
Restated* Balance at 1 July 2017	491 709 369	491 709 369
Changes in net assets	(4 032 494)	(4 032 494)
Deficit for the year	(4 032 494)	(4 032 494)
Total changes	(4 032 494)	(4 032 494)
Balance at 30 June 2018	487 676 875	487 676 875

Note(s)

* See Note 47

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Interest income		234 735	192 917
Dividends		20 000	32 553
Cash receipts from ratepayers, government and others		216 751 153	200 102 598
		<u>217 005 888</u>	<u>200 328 068</u>
Payments			
Cash paid to suppliers and employees		(173 917 066)	(174 450 499)
Net cash flows from operating activities	35	<u>43 088 822</u>	<u>25 877 569</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(43 296 268)	(25 958 080)
Purchases of heritage assets	10	-	(953 000)
Net cash flows from investing activities		<u>(43 296 268)</u>	<u>(26 911 080)</u>
Net increase/(decrease) in cash and cash equivalents		(207 446)	(1 033 511)
Cash and cash equivalents at the beginning of the year		301 294	1 334 805
Cash and cash equivalents at the end of the year	6	<u>93 848</u>	<u>301 294</u>

* See Note 47

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	62 290 000	4 034 569	66 324 569	57 819 169	(8 505 400)	N1
Rental of facilities and equipment	540 000	(170 342)	369 658	135 436	(234 222)	
Licences and permits	1 498 000	1 677 294	3 175 294	2 247 031	(928 263)	N2
Other income	2 457 000	-	2 457 000	1 372 962	(1 084 038)	N3
Interest received - investment	107 000	-	107 000	234 735	127 735	
Dividends received	19 000	277 171	296 171	20 000	(276 171)	
Total revenue from exchange transactions	66 911 000	5 818 692	72 729 692	61 829 333	(10 900 359)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	14 949 000	12 080 469	27 029 469	23 135 306	(3 894 163)	N4
Transfer revenue						
Government grants & subsidies	97 640 000	27 687 371	125 327 371	141 336 969	16 009 598	N5
Donations	-	-	-	38 675 195	38 675 195	N6
Fines	90 000	-	90 000	590 123	500 123	
Other income	-	-	-	579 208	579 208	
Total revenue from non-exchange transactions	112 679 000	39 767 840	152 446 840	204 316 801	51 869 961	
Total revenue	179 590 000	45 586 532	225 176 532	266 146 134	40 969 602	
Expenditure						
Employee related costs	(77 127 000)	(2 593 210)	(79 720 210)	(76 873 307)	2 846 903	N7
Remuneration of councillors	(10 082 000)	(565)	(10 082 565)	(11 289 745)	(1 227 180)	N8
Depreciation and asset impairment	(12 618 195)	-	(12 618 195)	(27 425 946)	(14 807 751)	N9
Impairment loss/ Reversal of impairments	-	-	-	(1 482 983)	(1 482 983)	N10
Finance costs	-	-	-	(14 296 812)	(14 296 812)	N11
Lease rentals on operating lease	(1 269 200)	-	(1 269 200)	(430 770)	838 430	N12
Debt impairment	(5 421 591)	-	(5 421 591)	(55 368 967)	(49 947 376)	N13
Repairs and maintenance	(7 838 000)	-	(7 838 000)	(890 269)	6 947 731	N14
Bulk purchases	(34 348 888)	-	(34 348 888)	(37 375 506)	(3 026 618)	N15
Contracted Services	(5 064 000)	(17 680 428)	(22 724 428)	(6 783 364)	15 941 064	N16
General Expenses	(28 333 000)	(4 540 000)	(32 873 000)	(43 109 577)	(10 236 577)	N17
Total expenditure	(182 081 874)	(24 794 203)	(206 876 077)	(275 327 246)	(68 451 169)	
Operating deficit	(2 491 874)	20 792 329	18 300 455	(9 181 112)	(27 481 567)	
Loss on disposal of assets and liabilities	-	-	-	(217 385)	(217 385)	
Fair value adjustments	-	-	-	1 629	1 629	
Actuarial gains/losses	-	-	-	5 094 499	5 094 499	
Gain on biological assets and agricultural produce	-	-	-	125 300	125 300	

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Inventories losses/write-downs	-	-	-	144 574	144 574	
	-	-	-	5 148 617	5 148 617	
Deficit before taxation	(2 491 874)	20 792 329	18 300 455	(4 032 495)	(22 332 950)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(2 491 874)	20 792 329	18 300 455	(4 032 495)	(22 332 950)	

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	20 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Machinery and Equipment	Straight line	5 - 10 years
Furniture and fixtures	Straight line	5 - 12 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 - 10 years
Other Assets	Straight line	5 - 10 years
Computer software	Straight line	3 - 7 years
Infrastructure community	Straight line	5 - 100 years
Infrastructure	Straight line	5 - 100 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generation.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

An inalienable item is an asset that an entity is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

The entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Heritage assets (continued)

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments; plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Financial Instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.12 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficit.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The entity recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.21 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2016 to 30/06/2017.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.23 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
2. Inventories		
Land inventory	7 673 545	7 528 971
Stores, materials and fuels	977 564	907 120
	8 651 109	8 436 091
Inventory pledged as security		
No inventory was pledged as security.		
3. Receivables from exchange transactions		
Other receivables	592 744	101 547
4. Receivables from non-exchange transactions		
Consumer debtors - Rates	1 733 843	35 263 385
5. Trade and other receivables from exchange transactions		
Gross balances		
Electricity	32 129 387	44 650 429
Water	17 373 746	43 459 178
Other	6 117 517	20 762 596
Sewerage	25 675 847	50 927 694
Refuse	28 353 078	64 955 287
	109 649 575	224 755 184
Less: Allowance for impairment		
Consumer debtors impairment	(91 126 301)	(196 914 530)
Net balance		
Electricity	32 129 387	44 650 429
Water	17 373 746	43 459 178
Other	6 117 517	20 762 596
Sewerage	25 675 847	50 927 694
Refuse	28 353 078	64 955 287
Consumer debtors allowance for impairment	(91 126 301)	(196 914 530)
	18 523 274	27 840 654
Electricity		
Current (0 -30 days)	3 944 634	1 543 865
31 - 60 days	3 281 160	1 117 529
61 - 90 days	777 956	987 948
91 - 120 days	628 955	805 865
121 - 365 days	23 496 682	40 195 222
	32 129 387	44 650 429
Water		
Current (0 -30 days)	1 148 916	1 152 296
31 - 60 days	1 662 051	405 012
61 - 90 days	394 691	384 380
91 - 120 days	457 849	362 404
121 - 365 days	13 710 239	41 155 086
	17 373 746	43 459 178

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
5. Trade and other receivables from exchange transactions (continued)		
Other		
Current (0 -30 days)	50 921	50 700
31 - 60 days	88 351	37 380
61 - 90 days	33 719	37 672
91 - 120 days	31 442	28 786
121 - 365 days	1 318 928	20 608 098
> 365 days	4 596 156	-
	6 117 517	20 762 596
Sewerage		
Current (0 -30 days)	903 993	858 589
31 - 60 days	2 640 699	833 181
61 - 90 days	847 253	818 492
91 - 120 days	842 841	809 280
121 - 365 days	20 441 061	47 608 162
	25 675 847	50 927 694
Refuse		
Current (0 -30 days)	935 580	882 036
31 - 60 days	2 687 653	834 793
61 - 90 days	854 670	815 843
91 - 120 days	848 430	743 202
121 - 365 days	23 026 745	61 679 413
	28 353 078	64 955 287
Impairment		
Amount	(104 319 570)	(196 914 530)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(196 914 534)	(166 915 207)
Contributions to allowance	-	(26 816 920)
Debt impairment	-	(3 382 403)
Reversal of allowance	105 788 233	-
	(91 126 301)	(196 914 530)

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures In Rand	2018	2017
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	455	455
Bank balances	93 393	300 839
	93 848	301 294

Cash and cash equivalents pledged as collateral

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
First National Bank - Current Account (52050012818)	88 243	221 313	770 571	88 243	221 313	770 571
Traffic Fines Account (62526417086)	5 150	79 445	494 874	5 150	79 445	494 874
Money Market Account (62263183752)	-	81	68 906	-	81	68 906
Total	93 393	300 839	1 334 351	93 393	300 839	1 334 351

7. Biological assets

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	1 916 300	-	1 916 300	1 791 000	-	1 791 000

Reconciliation of biological assets - 2018

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets	1 791 000	125 300	1 916 300

Reconciliation of biological assets - 2017

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets	1 197 600	593 400	1 791 000

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

8. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	61 953 000	(1 986 623)	59 966 377	61 953 000	(1 822 233)	60 130 767

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	60 130 767	(164 390)	59 966 377

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	59 966 377	164 390	60 130 767

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Deemed cost

Investment property consist of land and is carried at cost. No depreciation is calculated as land is deemed to have an indefinite useful life.

9. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	123 387 830	-	123 387 830	123 387 830	-	123 387 830
Buildings	45 879 106	(36 046 460)	9 832 646	101 781 342	(64 882 305)	36 899 037
Machinery and Equipment	113 890	(53 506)	60 384	122 992	(62 248)	60 744
Furniture and fixtures	2 673 399	(1 473 377)	1 200 022	2 979 503	(1 401 706)	1 577 797
Motor vehicles	7 559 584	(4 528 226)	3 031 358	7 012 085	(4 014 555)	2 997 530
Office equipment	106 914	(43 990)	62 924	68 919	(36 577)	32 342
Computer equipment	1 794 652	(636 962)	1 157 690	1 174 543	(499 869)	674 674
Other Assets	609 825	(221 994)	387 831	642 742	(195 786)	446 956
Infrastructure community assets	272 423 333	(148 286 678)	124 136 655	180 357 298	(108 348 469)	72 008 829
Roads Network Infrastructure	450 075 095	(243 073 323)	207 001 772	450 172 906	(233 189 890)	217 003 016
Storm Water Infrastructure	29 305 420	(18 572 296)	10 733 124	29 410 140	(17 928 072)	11 484 068
Water Supply Network Infrastructure	2 823 645	(1 157 694)	1 665 951	2 823 654	(1 016 512)	1 807 142
Electrical Network Infrastructure	119 427 096	(49 842 242)	69 584 854	119 427 096	(46 980 034)	72 447 062
Sanitation Network Infrastructure	835 580	(420 155)	415 425	835 580	(393 031)	442 549
Solid Waste Infrastructure	2 599 976	(1 928 788)	671 210	2 559 976	(1 842 100)	717 876
Work in progress	80 643 270	-	80 643 270	38 995 955	-	38 995 955
Total	1 140 258 615	(506 285 669)	633 972 946	1 061 732 561	(480 769 154)	580 963 407

Tswaing Local Municipality Annual Financial Statements for the year ended 30 June 2018 Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Additions through donations	Disposals	Depreciation	Impairment loss	Total
Land	123 387 830	-	-	-	-	-	123 387 830
Buildings	36 376 518	-	-	(9 755)	(4 517 840)	(1 372 060)	30 476 863
Machinery and equipment	60 744	-	-	-	(12 984)	-	47 760
Furniture and fixtures	1 577 797	-	-	(88 174)	(289 601)	-	1 200 022
Motor vehicles	2 997 531	940 000	-	-	(906 173)	-	3 031 358
Office equipment	32 341	39 783	-	-	(9 200)	-	62 924
Computer equipment	674 676	689 170	139 650	(67 470)	(263 996)	-	1 152 030
Other Assets	446 955	-	-	-	(62 505)	-	384 450
Community Facilities	72 464 470	-	38 535 544	(68 753)	(7 401 300)	(22 747)	103 507 214
Roads	217 003 016	-	-	(47 288)	(9 953 956)	-	207 001 772
Storm Water Infrastructure	11 484 067	-	-	(24 120)	(726 823)	-	10 733 124
Water Supply Network Infrastructure	1 807 132	-	-	-	(141 182)	-	1 665 950
Electrical Network Infrastructure	72 447 061	-	-	-	(2 862 207)	-	69 584 854
Sanitation Network Infrastructure	442 349	-	-	-	(27 124)	-	415 225
Solid Waste Infrastructure	757 876	-	-	-	(86 665)	-	671 211
Work in progress	38 995 955	41 647 315	-	-	-	-	80 643 270
	580 956 518	43 296 268	38 675 194	(305 560)	(27 261 556)	(1 394 807)	633 966 057

Tswaing Local Municipality Annual Financial Statements for the year ended 30 June 2018 Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through donations	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	123 683 065	-	-	(295 235)	-	-	-	-	123 387 830
Buildings	41 373 736	163 425	-	(72 279)	-	-	(5 088 364)	-	36 376 518
Machinery and equipment	40 859	32 684	-	-	-	-	(12 800)	-	60 743
Furniture and fixtures	1 350 954	-	497 481	-	-	-	(268 863)	(1 775)	1 577 797
Motor vehicles	3 606 394	354 450	-	-	-	-	(943 425)	(19 886)	2 987 531
Office equipment	40 483	-	-	-	-	-	(8 142)	-	32 341
Computer equipment	651 385	88 500	119 720	-	-	-	(170 496)	(14 433)	674 676
Other Assets	392 924	-	109 698	-	-	-	(52 170)	(3 497)	446 955
Community Facilities	70 683 828	8 474 606	-	-	-	38 460	(6 732 424)	-	72 464 470
Roads Network Infrastructure	218 393 453	25 117 172	-	(2 642 036)	-	-	(15 980 700)	(7 884 873)	217 003 016
Storm Water Infrastructure	11 743 045	847 172	-	-	-	-	(726 107)	(380 044)	11 484 066
Water Supply Network Infrastructure	1 948 315	-	-	-	-	-	(141 182)	-	1 807 133
Electrical Network Infrastructure	75 309 510	-	-	-	-	-	(2 862 449)	-	72 447 061
Sanitation Network Infrastructure	386 442	82 771	-	-	-	-	(26 664)	-	442 549
Solid Waste Infrastructure	844 542	-	-	-	-	-	(86 666)	-	757 876
Work in progress	45 512 702	27 502 453	-	-	(34 019 200)	-	-	-	38 995 955
	595 961 637	62 563 233	726 899	(3 009 550)	(34 019 200)	38 460	(33 100 452)	(8 304 510)	580 956 517

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

9. Property, plant and equipment (continued)

Transfers

Transfers to and from property plant and equipment relates to projects that were recognised as Work In Progress that have reached completion and now form additions of infrastructure assets , community assets and land and buildings.

The Work In Progress is thus transferred from the Work In Progress account and the Infrastructure assets, Community assets and Land and buildings.

Other changes - movements

These relate to the derecognition of road reserves and the correction of Remaining Useful Life error of assets that would have been fully depreciated but on review of useful lives found to be still operational and in working condition. The assets depreciation periods was accordingly fixed to resemble the reassessment of useful lives as performed.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

10. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	953 000	-	953 000	953 000	-	953 000

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical monuments	953 000	953 000

Reconciliation of heritage assets 2017

	Opening balance	Additions	Total
Historical monuments	-	953 000	953 000

11. Other financial assets

Designated at fair value

Listed shares	568 820	567 191
---------------	---------	---------

Non-current assets

Designated at fair value	568 820	567 191
--------------------------	---------	---------

12. Payables from exchange transactions

Trade payables	113 636 601	114 218 030
Payments received in advanced	-	9 223 639
Retentions	10 431 888	8 802 809
Other payables	17 426 288	986 398
Accrued leave pay	6 993 393	6 005 927
Accrued bonus	1 750 620	1 865 218
Petrol card	3 217	2 238
	150 242 007	140 904 259

13. VAT payable

Value Added Tax Payable	26 402 177	15 028 256
-------------------------	------------	------------

14. Consumer deposits

Rates	1 180 170	1 146 154
Housing rental	5 739	-
	1 185 909	1 146 154

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2018	2017
Municipal Infrastructure Grant (MIG)	-	8 283 526
Financial Management Grant (FMG)	-	614 989
Library grant	1 494 828	1 461 797
	1 494 828	10 360 312

Movement during the year

Balance at the beginning of the year	10 360 311	2 214 049
Additions during the year	44 967 000	34 213 042
Income recognition during the year	(53 832 484)	(26 066 780)
	1 494 827	10 360 311

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	16 351 987	2 469 865	-	508 546	19 330 398
Employee long service benefit cost	4 887 000	406 000	(1 076 665)	838 665	5 055 000
Post employment medical aid liability	35 961 000	2 130 000	(642 767)	(1 863 164)	35 585 069
	57 199 987	5 005 865	(1 719 432)	(515 953)	59 970 467

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	15 888 324	463 663	-	16 351 987
Employee long service benefit cost	4 904 000	-	(17 000)	4 887 000
Post employment medical aid liability	36 524 000	-	(563 000)	35 961 000
	57 316 324	463 663	(580 000)	57 199 987

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

16. Provisions (continued)

Environmental rehabilitation provision

The municipality has a present obligation to ensure rehabilitation of the land fill sites used after the economic life of the land fill site has been fully utilised.

Financial assumptions used:

Adjustment of unit costs:

The baseline for the unit costs are adjusted annually. For the various cost elements relating to pre-closure planning as well as post-closure monitoring and maintenance, the Consumer Price Index¹ (CPI) was used to adjust the unit cost for each cost element. The unit cost of the various costs elements relating to rehabilitation and closure were adjusted using the Civil Engineering (Earthworks) Index 2.

CPI

The CPI was used for the annual adjustment of unit costs as well as for determining the future value of current costs in the year

when the cost is projected to be incurred. The CPI was obtained from Statistics South Africa. The average of the CPI June 2017 and June 2018 is +5.3%

Discount rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. Where the liability in this case is determined for a government entity (municipality), government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

Uncertainties regarding the calculation and estimation of the provision:

A number of variables impact on the eventual rehabilitation and closure costs by either increasing or decreasing the basic unit cost.

Variables that are (normally) out of the control of the municipality:

- Length of perimeter of the landfill.
- Location of landfill in water-deficit or water-surplus area.
- Availability of suitable capping material on-site or in the vicinity.
- Availability of top-soiling and vegetating material on-site.
- Requirement for a gas control system

Variables that relate to availability of information:

- Availability and quality of technical reports, including End-Use Plan and Closure Design.
- Occurrence of environmental impacts of landfill (confirmed by monitoring).
- Occurrence of gas/air quality problems experienced (confirmed by monitoring).
- Occurrence of significant leachate problems (confirmed by monitoring).

Variables that relate to management practices:

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

16. Provisions (continued)

- Whether the landfill is permitted/licensed or not.
- Existence and functioning of monitoring committee for landfill, including stakeholders.
- Quality of on-going operation of landfill in respect of compacting and trimming of areas already used.
- Whether available top-soiling material is actively managed to retain its quality characteristics for closure purposes.
- Existence and condition of fence.
- The remaining lifespan of the landfill.

Long service provision

In addition to normal leave an employee shall qualify for the following additional leave as recognition for service at the same employer, which shall be paid out respectively once only the date on which the various periods of continuous service have been completed, as follows.

After 10 years service - 10 working days
 After 15 years service - 20 working days
 After 20 years service - 30 working days
 After 25 years service - 30 working days
 After 30 years service - 30 working days
 After 35 years service - 30 working days
 After 40 years service - 30 working days
 After 45 years service - 30 working days.

An employee may choose to either utilise the leave for holiday purposes or en-cash leave within 12 months.

The two most important financial variables used in our valuation are the discount rate and salary inflation. An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events.

Discount rate

IAS19 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet" date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet" date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations. "reimbursement.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

16. Provisions (continued)

Post Employment Medical Provision

The Municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2018.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The Post Employment Health Care Benefit Plan is a defined benefit plan.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	9,54%	10,26%
Consumer Price Inflation (C)	7,07%	7,18%
Health Care Cost Inflation	8,57%	8,68%
Net Effective Discount Rate	0,89%	1,45%
Proportion assumed married at retirement	90%	90%

Average retirement age 63 63

Mortality during employment SA 85-90 SA 85-90.

17. Revenue

Service charges	57 819 169	74 638 822
Rental of facilities and equipment	135 436	484 932
Licences and permits	2 247 031	2 426 629
Other income	1 372 962	687 024
Interest received - investment	234 735	198 552
Dividends received	20 000	32 553
Property rates	23 135 306	19 206 457
Government grants & subsidies	141 336 969	101 083 017
Donations	38 675 195	726 899
Fines	590 123	223 142
Other income	579 208	-
	266 146 134	169 708 027

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	57 819 169	74 638 822
Rental of facilities and equipment	135 436	484 932
Licences and permits	2 247 031	2 426 629
Other income	1 372 962	687 024
Interest received - investment	234 735	198 552
Dividends received	20 000	32 553
	61 829 333	78 468 512

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
17. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	23 135 306	19 206 457
Transfer revenue		
Government grants & subsidies	141 336 969	101 083 017
Donations	38 675 195	726 899
Fines	590 123	223 142
Other income	579 208	-
	204 316 801	121 239 515
18. Service charges		
Sale of electricity	31 595 019	44 485 034
Sale of water	6 354 644	6 213 848
Sewerage and sanitation charges	10 001 674	11 092 375
Refuse removal	9 867 833	12 621 176
Other	-	226 389
	57 819 170	74 638 822
19. Other revenue		
Other income	1 372 962	687 024
20. Investment revenue		
Dividend revenue		
Other financial asset	20 000	32 553
Interest revenue		
Bank	234 735	198 552
	254 735	231 105
21. Property rates		
Rates received		
Property rates	23 135 306	19 206 457

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
22. Government grants and subsidies		
Operating grants		
Equitable share	92 403 000	75 728 049
Financial management grant	2 345 000	1 395 011
EPWP	1 182 000	1 248 280
Ngaka Modiri Molema District Municipality	4 000 000	-
Library grant	1 676 969	1 558 203
	101 606 969	79 927 543
Capital grants		
Municipal infrastructure grant (MIG)	39 730 000	19 655 475
Integrated National Electrification Program (INEP)	-	1 500 000
	39 730 000	21 155 475
	141 336 969	101 083 018
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Infrastructure grant		
Balance unspent at beginning of year	8 283 526	82 833
Current-year receipts	39 730 000	27 939 000
Conditions met - transferred to revenue	(39 730 000)	(19 655 474)
Transferred to equitable share	(8 283 526)	(82 833)
	-	8 283 526
Conditions still to be met - remain liabilities (see note 15).		
The Grant (Municipal Infrastructure Grant-MIG) is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.		
Financial management grant		
Balance unspent at beginning of year	614 989	-
Current-year receipts	2 345 000	2 010 000
Conditions met - transferred to revenue	(2 345 000)	(1 395 011)
Transferred to equitable share	(614 989)	-
	-	614 989
Library grant		
Balance unspent at beginning of year	1 461 797	1 360 000
Current-year receipts	1 710 000	1 660 000
Conditions met - transferred to revenue	(1 676 969)	(1 558 203)
	1 494 828	1 461 797
Conditions still to be met - remain liabilities (see note 15).		
To provide the municipality with finance for operation and administration of Atemelang and Gaanzlagte Community Library.		
MSG		
Balance unspent at beginning of year	-	709 631
Conditions met - transferred to revenue	-	(709 631)

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

22. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

To assist the municipality in building in house capacity to perform their functions and stabilise institutional governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy.

LG Sete

Balance unspent at beginning of year
Conditions met - transferred to revenue

- 61 585
- (61 585)

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

EPWP

Current-year receipts
Conditions met - transferred to revenue

1 182 000 1 330 000
(1 182 000) (1 330 000)

/Conditions still to be met - remain liabilities (see note 15).

To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.

INEP

Current-year receipts
Conditions met - transferred to revenue

- 1 500 000
- (1 500 000)

Conditions still to be met - remain liabilities (see note 15).

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. Provide explanations of conditions still to be met and other relevant information.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
23. Employee related costs		
Basic	45 903 088	42 075 420
Bonus	3 647 739	3 435 969
Medical aid - company contributions	4 569 983	4 045 039
UIF	386 155	385 686
SDL	184 100	631 565
Defined contribution plans	399 967	374 455
Travel, motor car, accommodation, subsistence and other allowances	4 312 120	1 133 866
Overtime payments	3 067 902	2 560 078
Acting allowances	1 617 330	993 871
Housing benefits and allowances	440 963	291 721
Leave expense	1 435 644	1 231 544
Telephone allowance	410 828	167 962
Stand-by allowance	875 045	826 942
Bargaining Council	23 495	-
Workmen's Compensation	586 998	-
Long-term benefits - incentive scheme	9 011 973	8 684 064
	76 673 308	66 638 180
Remuneration of Municipal Manager		
Annual Remuneration	649 363	-
Housing Allowance	95 315	-
Car Allowance	113 135	-
Phone Allowance	12 000	-
	869 813	-
The current Municipal Manager was appointed effective 01/08/2017.		
Remuneration of Acting Municipal Manager		
Annual Remuneration	-	381 080
Car Allowance	-	33 915
Contributions to UIF, Medical and Pension Funds	-	40 455
Other	-	43 478
	-	182 652

The Municipality had one acting appointment during the year for the Municipal Manager position. The acting municipal manager was appointed on 01/12/2016 to 31/07/2017 from Department of Local Government North West Province. His remuneration was being paid by Local Government of North West Province.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

23. Employee related costs (continued)

Remuneration of Chief Finance Officer

Annual Remuneration	37 171	-
Housing Allowance	8 000	-
Car Allowance	12 000	-
Phone Allowance	1 000	-
Remote Allowance	2 566	-
	60 737	-

The Chief Finance Officer was appointed effective 01/06/2018, he took special leave for the month June.

Remuneration of Acting Chief Finance Officer

Annual Remuneration	489 964	128 004
Housing Allowance	9 558	27 042
Car Allowance	140 148	21 055
Phone Allowance	13 200	6 551
Bonus	31 398	-
Other	7 019	-
Contributions to UIF, Medical and Pension Funds	139 248	-
	830 536	182 652

The Municipality had one acting appointment during the year for the Chief Finance Officer position. The acting CFO was appointed from 01/05/2017 to 30/06/2018.

Remuneration of Technical Services Director

Annual Remuneration	145 392	436 176
Housing Allowance	48 464	145 391
Car Allowance	48 464	149 676
Leave pay	94 214	-
Sundries	-	4 500
	336 534	735 743

Mr A.K. Dikgwathe resigned as the Technical Services Director effective 31/10/2017.

Remuneration of Acting Technical Services Director

Annual Remuneration	291 044	-
Housing Allowance	69 032	-
Car Allowance	69 032	-
Leave pay	15 000	-
	444 108	-

The Municipality had one acting appointments during the year for the Technical Services Director position. The Acting Technical Services was appointed from 01/11/2017 to 31/07/2018.

Remuneration of Corporate Services Director

Annual Remuneration	268 975	-
Housing Allowance	76 500	-
Car Allowance	79 823	-
Phone allowance	7 000	-
Travel Allowance	23 013	-
Professional Allowance	17 963	-

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

23. Employee related costs (continued)

2018 2017

473 274 -

The Corporate Services Director was appointed effective 01/12/2017.

Remuneration of Acting Corporate Services Director

Annual Remuneration	231 018	665 995
Housing Allowance	3 983	109 014
Car Allowance	69 700	4 407
Phone allowance	5 500	97 905
Contributions to UIF, Medical and Pension Funds	43 542	-
	353 743	877 321

The Municipality had one acting appointment during the year for the Corporate Services Director position. The acting corporate services director was appointed from 01/07/2017 to 30/11/2017.

Remuneration of Acting Community Services Director

Annual Remuneration	502 539	103 994
Housing Allowance	102 997	14 661
Car Allowance	13 200	16 268
Bonus	31 398	-
Sundries	-	16 268
Contributions to UIF, Medical and Pension Funds	107 679	16 453
	757 813	151 376

24. Remuneration of councillors

Executive Mayor	801 416	705 953
Speaker	664 644	567 659
Chief Whip	319 494	274 234
Mayoral committee members	2 301 825	2 010 506
Councillors	7 202 366	5 706 890
	11 289 745	9 265 242

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.

The salaries, allowances and benefits of the councillors as disclosed in note 25 of these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the constitution, read with the remuneration of public officer bearers Act and the minister of provincial and local government's determination in accordance with this Act.

The Mayor has bodyguards and an official driver at the cost of council.

Councillors arrear consumer accounts are disclosed in the related party note, refer to note 39.

25. Depreciation and amortisation

Property, plant and equipment	27 261 556	33 252 352
Investment property	184 390	-
	27 425 946	33 252 352

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
26. Impairment of assets		
Impairments		
Property, plant and equipment	1 482 983	8 304 511
27. Finance costs		
Interest on fair value of employment benefits awards and & environmental	4 578 546	4 167 766
Interest on late payments	9 718 266	12 162 442
	14 296 812	16 330 208
28. Debt impairment		
Contributions to debt impairment provision	(93 611 463)	37 651 434
Bad debts written off	148 980 430	-
	55 368 967	37 651 434
29. Bulk purchases		
Electricity	32 406 406	31 883 089
Water	4 969 100	703 756
	37 375 506	32 586 845
30. Contracted services		
Contracted Services	6 783 384	5 246 428

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
31. General expenses		
Accounting fees	456 380	-
Advertising	493 521	173 003
Auditors remuneration	3 490 032	2 607 591
Bank charges	309 467	391 353
Cleaning	-	205 138
Commission paid	2 536 510	1 064 097
Computer expenses	126 922	-
Consulting and professional fees	12 688 766	3 466 298
Consumables	1 737 615	433 945
Delivery expenses	-	283 562
Discount allowed	-	1 848 434
Fines and penalties	-	36 895
Gifts	-	36 522
Hire	21 150	-
Insurance	816 576	989 231
Community development and training	876 643	2 247 759
IT expenses	2 536 000	2 533 000
Magazines, books and periodicals	-	(17 957)
Motor vehicle expenses	1 402 431	86 500
Packaging	-	9 295
Fuel and oil	2 202 355	531 201
Placement fees	2 468 865	-
Printing and stationery	746 413	712 043
Promotions	-	145 897
Protective clothing	445 728	127 720
Subscriptions and membership fees	859 578	1 487 324
Telephone and fax	1 961 227	2 314 732
Transport and freight	75 434	-
Training	-	319 227
Travel - local	1 097 368	1 565 632
Refuse	-	104 016
Assets expensed	-	3 600
Electricity	-	289 860
Sewerage and waste disposal	-	2 074
Water	-	1 525
Unallocated vat input	-	6 317
Catering Services	63 697	-
Industrial council levy	-	22 779
MIG Grant	-	3 814 763
Commission paid	-	2 190 716
Electricity purchase: small amounts	5 805 898	3 236 669
Financial management grant	-	5 672 622
Venue expenses	-	3 473
Mayoral projects	-	184 298
Other expenses	112 000	1 731 500
	43 109 576	40 822 654
32. Fair value adjustments		
Other financial assets		
* Other financial assets (Held for trading)	1 629	-
33. Auditors' remuneration		
Fees	3 490 032	2 607 591

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
34. Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Contractual amounts	430 770	675 661
Loss on sale of property, plant and equipment	(217 385)	(4 430 921)
Impairment on property, plant and equipment	1 482 983	8 304 511
Gains on biological assets and agricultural produce	(125 300)	(581 134)
Depreciation on property, plant and equipment	27 425 946	33 252 352
Employee costs	88 163 051	76 103 426
35. Cash generated from operations		
Deficit	(4 032 494)	(52 000 331)
Adjustments for:		
Depreciation and amortisation	27 425 946	33 252 352
Gain on biological assets	(125 300)	-
Actuarial loss	-	2 119 000
Loss on disposal	217 385	187 440
Donations income	(38 675 195)	-
Fair value adjustments	(1 829)	-
Impairment loss	1 482 983	8 304 511
Debt impairment	55 368 967	19 498 786
Movements in provisions	2 770 480	(116 337)
Changes in working capital:		
Inventories	(215 019)	1 661 987
Receivables from exchange transactions	(481 197)	(101 547)
Receivables non exchange	(46 051 586)	(39 330 197)
Other receivables from exchange transactions	33 529 542	(95 912)
Payables from exchange transactions	9 337 748	24 106 398
VAT	11 373 921	5 079 309
Unspent conditional grants and receipts	(8 865 484)	8 146 263
Consumer deposits	39 755	49 174
	43 088 823	25 877 569
36. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	16 891 154	19 701 388
Total capital commitments		
Already contracted for but not provided for	16 891 154	19 701 388
Authorised operational expenditure		
Already contracted for but not provided for		
• Financial Statements Preparation	3 025 912	-
Total operational commitments		
Already contracted for but not provided for	3 025 912	-
This committed expenditure relates to plant and equipment and will be financed by existing cash resources and grant income..		

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

37. Contingencies

Court Proceedings:

Municipality is being sued for some of the following pending claims. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities is uncertain.

The following cases listed below are pending and there is no reasonable estimate for future outflow amounts;

Braeyenbach for Eviction
G.B DisipiMVA for Damages
S.T Mahanoe for labour
J.M Venter for contempt
M Buys and others for labour

The amounts disclosed below are possible outflows amounts based on the lawyers:

Litigation and claims

Bri-corp(PTY) LTD for contractual claim the contractor failed to pay the supplier and the supplier sued the municipality	-	500 000
Thabang New business technology contractual claim the contractor appointed for a road project failed to perform and sued the municipality	-	2 500 000
Prestige Panel Beaters for damages a municipality owned vehicle was taken to the panel beater for repairs but storage fees were not paid, they being sued for it.	-	250 000
G.M Mothusi for damages municipality workers were cutting trees, which fell on Mr Mothusi's wall.	-	60 000
Ansie Styn Trust for servitude claim information was requested on rates, which the municipality delayed to submit	-	500 000
K.S Mere for arbitration an urgent application from Scholtz Attorneys was received and a drafting of the affidavit.	-	200 000
KS Mere opened a case against the municipality , a notice of set-down was received from CCMA	-	200 000
K.S Mere a court case of unfair dismissal was continuing against KS Mere	-	200 000
New boss construction was awarded a tender for construction Of Deelpan Community Hall and the total project amount was R 5 461 909.52, out of that amount only R 4 504 214	-	957 696
Babafa and others the municipality is reviewing the award	-	250 000
Photohlo the municipality is being sued for the loss of life	-	150 000
F Nacela the municipality is suing the respondent for the unlawful occupation of land	-	350 000
B Smith the municipality is reviewing the award	500 000	250 000
Molene the municipality is reviewing the award	400 000	250 000
Kuyalunga Traffic Solutions is suing the municipality for damages arising out of terminating the contract.	1 113 000	-
Mr Ramphela is suing the municipality over reserved senior manager appointments.	4 450 840	-
is allegin that themunicipality is indebted to them for services rendered (Honey Sucking)	2 829 224	-
	9 293 064	5 617 696

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

38. Related parties

Relationships
Members of key management
Accounting Officer
Acting Technical Director
Technical Director
Acting Community Services Director
Acting Community Services Director
Corporate Services Director
Acting Corporate Services Director
Chief Finance Officer
Acting Chief Finance Officer
Mayor
Speaker
Chief Whip
Councillors

Mr M. Moruti
Ms G.O. Moipolai (01/11/2017 - 30/08/2018)
Mr Dikgwatlhe (01/07/2017 - 31/10/2017)
Mr S.B. Moeti (from 01/04/2018)
Mr M.D. Morwe (01/07/2017 - 31/03/2018)
Mrs V.K. Ndongeni (from 01/12/2017)
Mrs O. Monaheng (01/07/2017 - 30/11/2017)
Mr R.E. Mogoje (From 01/06/2018)
Mrs S. Pelele (01/08/2017 - 30/06/2018)
Hon Cllr L. Malwane
Hon Cllr UP Lobelo
Hon Cllr AN Noko
Cllr L. Bome
Cllr SV Moremedi
Cllr MM Moreo
Cllr KE Blou
Cllr ST Lerumo
Cllr AT Modise
Cllr B Phutiagae
Cllr NJ Molehabangwe
Cllr TE Chabanku
Cllr TS Tsholo
Cllr ME Booi
Cllr MS Letlakane
Cllr AT Mabovu
Cllr PM Mokoto
Cllr TD Mthimkulu
Cllr OJ Makalela
Cllr TA Morei
Cllr S Viljoen
Cllr EM Thobengani
Cllr TP Miga
Cllr JK Magwejana
Cllr LY Taljaard
Cllr GE Kgasu
Cllr KC Seduko
Cllr GB Madebe
Cllr JH Botha
Kgosi JEF Molete
Kgosi C Moshoele

The above key management's salaries are disclosed in note 24 and 25.

Related party balances

Receivables - Owing by councillors

AT Mabovu	24 421	41 777
AL Noko	3 872	4 447
AM Motjale	-	7 825
MS Letlakane	10 978	29 417
NJ Molehabangwe	12 037	24 696
TE Chabanku	1 767	4 167
ME Booi	13 664	43 265
TD Mthimkulu	-	33 012
T Morei	-	26 971
KC Seduko	-	40 566
GB Madebe	-	32 804
JH Botha	1 310	1 346

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
38. Related parties (continued)		
L Borne	6 093	-
MM Moroe	10 877	-
S Viljoen	12 955	-
Related party transactions		
Grant and subsidies received from State Organs		
National Treasury : Equitable share	88 403 000	85 712 000
North West Department of Public Works : EPWP	1 182 000	1 330 000
Department of Culture, Arts and Traditional Affairs : Library grant	1 710 000	1 660 000
COGTA : Municipal Infrastructure Grant	39 730 000	27 939 000
COGTA : MSIG	-	750 000
National Treasury : Financial Management Grant	2 345 000	2 010 000
Ngaka Modiri Molema District Municipality: Operational Grant	4 000 000	-

39. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply.

Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis; and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the . Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity's operating units. The provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

39. Risk management (continued)

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

As at 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	150 242 007	0	0	0
Vat payable	28 402 177	0	0	0

As at 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	140 904 258	0	0	0
Vat payable	15 028 256	0	0	0

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Receivables from exchange transactions	18 523 274	27 840 654
Bank balances and cash	93 848	301 294

Market risk

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

39. Risk management (continued)

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk. There has been no change to the Municipality's exposure to market risk on the manner in which manages.

Financial instrument	2018	2017
Investments - Listed shares designated at fair value	568 820	567 191

Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available for sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

40. Going concern

We draw attention to the fact that at 30 June 2018, the entity had a deficit of R 4 032 495 and that the entity's total current liabilities exceed its current assets by R 149 730 101.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

41. Fruitless and wasteful expenditure

Balance brought forward	26 367 746	13 211 301
Current year	9 718 266	13 156 445
	<u>36 086 012</u>	<u>26 367 746</u>

There was no fruitless and wasteful expenditure written off or recovered during the financial year. Expenditure incurred resulted from interest and penalties paid on late payments of suppliers. Investigation of the above has not yet been undertaken. No criminal or disciplinary steps have been taken as a consequence of the above expenditure.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
42. Irregular expenditure		
Balance brought forward	166 066 244	134 967 545
Current year	57 179 483	31 098 699
	223 245 727	166 066 244
Details of irregular expenditure		
Current year	223 245 727	166 066 244

Irregular expenditure is as a result of non compliance with supply chain management regulations and legislation. There was no irregular expenditure condoned, written off or recovered during the financial year. Investigation of the above has not yet been undertaken. No criminal or disciplinary steps have been taken as a consequence of the above expenditure.

43. Material losses

The municipality incurred losses in distribution of electricity amounting to 2018: R 22 427 769 (2017: R12 601 085). The distribution losses incurred for the distribution of water could not be ascertained as the municipality do not buy water as they use natural water from boreholes. Therefore it is impracticable to measure natural water source from the reservoirs.

44. Budget differences

Material differences between budget and actual amounts

The differences between budget and actual amounts have been detailed below and explanations were provided for material balance movements the differences are detailed in the Statement of Comparison of Budget and Actual Amounts.

Explanations ;

N1 - The budget amount is more than actual as a result of overbudgeting.

N2 - Budget amount is more than actual as the traffic office in Delareyville had to close after it was vandalised during community protests which occurred in April this year. Traffic office was closed for 3 months.

N3 - Budgeted amount was less than the actual amount due to under budgeting.

N4 - Budget amount was less than the actual due to under budgeting.

N5 - Budget amount is less than actual due to additional grant received from MIG.

N6 - This was not budgeted for as it was at the discretion of the department/company making the donations.

N7- The budget amount is more than actual as the municipality had planned to fill vacant posts during the year but this did not happen.

N8 - The budget amount is less than actual due to under budgeting.

N9 - The budget amount is less than actual as depreciation due to the donated assets received.

N10 - This was not budgeted for as it is an accounting entry.

N11 - This was not budgeted for as the Municipality did not anticipate having arrears on it's overdue accounts.

N12 - The budget amount is more due to overbudgeting.

N13 - The budget amount is less as there were debt write-offs performed in the current year.

N14 - The budget amount is more than actual as the Municipality had cashflow constraints.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
44. Budget differences (continued)		
N15 - The budget amount is less than actual as additional bulk water services had to be performed for the community after the District Municipality could not perform these functions.		
N16 - The budget amount is less than actual as the Municipality needed additional assistance due to MSCOA implementation.		
N17 -p The budget amount is less to the actual due to under budgeting.		
45. Gains or losses on biological assets		
Gains or losses arising from a change in fair value	125 300	561 134
46. Unauthorised expenditure		
Balance carried forward	192 558 943	106 563 155
Current year	66 209 110	85 995 788
	258 768 053	192 558 943

No criminal or disciplinary steps have been taken as a consequence of above expenditure. The total balance including the opening balance will be dealt with in accordance with the MFMA requirements.

47. Prior period errors

In terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors all prior period errors should be disclosed in accordance to the standards:

During the current period adjustments were processed for the previous financial periods. The overall difference for 2017 financial year below reflects the adjustments.

The correction of the error(s) results in adjustments as follows.

1. Receivables from exchange and interest income were understated by R 5 635 as a result of monies owed to the Municipality by legal counsel.
2. Trade receivables from non-exchange and accumulated surplus were understated by R 22 826 900 as a result of property rates not billed on the Department of Public Works accounts.
3. Trade receivables from non-exchange and accumulated surplus were overstated by R 266 687 amounts that the Municipality was incorrectly billing itself.
4. Trade receivables from exchange have decreased by R 3 716 646, Service charge revenue decrease by R 1 354 405 and Opening retained earnings decreased by R 2 363 241 as a result of the municipality incorrectly billing itself service charges in 2016/17 and prior years.
5. Investment property and accumulated surplus was understated by R 2 995 130 as a result of investment property belonging to the Municipality that was not recognised.
6. Employee costs and Creditors were understated by R 100 000 as a result of acting allowances not accrued for in the prior year.
7. Depreciation and Accumulated Depreciation were understated by R 1 113 681 as a result of donated assets that were not accounted for in the prior year, therefore not depreciated.
8. Impairments losses and accumulated impairments were overstated by R 89 718 as a result of the incorrect treatment of impairing assets.
9. Repairs and maintenance and creditors were understated by R 209 606 as a result of services not accounted for/ accrued in the prior year.

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

47. Prior period errors (continued)

10. The donations income and PPE were understated as a result of donations received from The Department of Culture, Arts and Traditional Affairs of movable assets for the Municipality's libraries. The donation documents were received late, therefore could not be capitalised in the prior year. The amount is 728 899.

11. Bulk purchases and creditors were understated by R 45 325 as a result of invoices not accrued for.

12. General expenses and creditors were understated by R 238 769 as a result of invoices not accrued for.

13. Contracted Services and Creditors were understated by R 471 487 as a result of invoices not accrued for.

14. PPE and disposal losses are understated as a result disposals not recorded in the general ledger.

15. VAT payable and creditors were understated by R 56 840 as a result of accruals not processed.

16. Commitments were overstated by R 8 908 257 because completed projects were not removed from the commitments register.

17. Updates to the PPE Immoveables disclosure were made as a result of changes to the standard.

Statement of financial position

Receivables from exchange transactions
Trade receivables from non-exchange
Trade receivables from exchange transactions
Investment property
Property, plant and equipment
Payables from exchange transactions
VAT payable
Accumulated surplus

5 635
22 558 213
(3 716 646)
2 995 130
5 058 345
(5 290 531)
(56 840)
32 249 048

-
-
-
-
-
-
-
-

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

47. Prior period errors (continued)

Statement of Financial Performance

Services charges	(1 354 405)	-
Licences and permits	1 830	-
Other income	(223 142)	-
Interest received - investment	5 635	-
Donations	726 899	-
Fines	223 142	-
Employee related costs	(100 000)	-
Repairs and maintenance	(209 606)	-
Bulk purchases	(45 325)	-
Impairments	89 718	-
Contracted services	(471 487)	-
General Expenses	(238 769)	-
Depreciation and amortisation	(1 113 681)	-
(Loss)/Gain on disposal of assets and liabilities	(72 279)	-

Statement of financial performance

Reclassification of expenses resulting in increase in contracted services expenditure and decrease in general expenditure

Disclosure	Previously disclosed in 2017	Amount of correction	Restated 2018
Increase in commitments	28 609 645	(8 908 257)	19 701 388
Subtotal	28 609 645	(8 908 257)	19 701 388
	28 609 645	(8 908 257)	19 701 388

Cash flow statement

48. Additional disclosure in terms of Municipal Finance Management Act

Audit fees Auditor General

Opening balance	(528 915)	-
Current year accrual	(1 880 425)	-
Amount paid - current year	(2 421 395)	-
Amount paid - previous years	-	(528 915)
	(4 830 735)	(528 915)

PAYE, SDL and UIF

Opening balance	(3 798 350)	-
Current year accrual	(12 702 782)	-
Amount paid - current year	2 366 716	-
Amount paid - previous years	-	(3 798 350)
	(14 134 416)	(3 798 350)

South African Local Government Association

Opening balance	(780 846)	-
Current year accrual	(831 006)	-
Amount paid - current year	780 846	-
Amount paid - previous years	-	(780 846)
	(831 006)	(780 846)

APPENDICES

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
-----------------	------	------

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT payable	26 402 177	15 028 256
-------------	------------	------------

All VAT returns have been submitted by the due date throughout the year.

49. Awards made to family members of persons in service of the state

Employee Name	Employee Position	Supplier Name	Name of close family member	Relationship to employee	Award Date	Award Amount
Mrs B. Malothane	Cashier	Momotheke 1131 (Pty) Ltd	Mr MS Malothane	Spouse	09/04/2018	R 5 180 340

**THIS IS THE END
OF THE 2017/18
ANNUAL REPORT**

